

# **PUBLIC DISCLOSURE**

**January 20, 2015**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BERKSHIRE BANK  
CERT #: 23621**

**24 NORTH STREET  
PITTSFIELD, MASSACHUSETTS 01201**

**Division of Banks**

**1000 Washington Street**

**Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation**

**350 Fifth Avenue, Suite 1200**

**New York, NY 10118**

<p><b>NOTE:</b> This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
---

## TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution Rating	
a.	Overall Rating.....	1
b.	Performance Test Ratings Table.....	1
c.	Summary of Major Factors Supporting Rating.....	2
III.	Institution	
a.	Description of Institution .....	3
b.	Description of Assessment Areas .....	5
c.	Scope of Examination .....	9
d.	Conclusions with Respect to Performance Tests .....	13
IV.	State of Massachusetts	
a.	Summary	
i.	State Rating .....	33
ii.	Scope of Examination .....	34
iii.	Description of Institution's Operations.....	34
iv.	Conclusions with Respect to Performance Tests .....	36
b.	Pittsfield, MA Metropolitan Area (reviewed using full-scope review)	
i.	Description of Institution's Operations.....	41
ii.	Conclusions with Respect to Performance Tests .....	42
c.	Springfield, MA Metropolitan Area (reviewed using full-scope review)	
i.	Description of Institution's Operations.....	47
ii.	Conclusions with Respect to Performance Tests .....	48
d.	Cambridge-Newton-Framingham, MA Metropolitan Area (reviewed using full-scope review)	
i.	Description of Institution's Operations.....	53
ii.	Conclusions with Respect to Performance Tests .....	55
V.	State of New York	
a.	Summary	
i.	State Rating .....	60
ii.	Scope of Examination .....	61
iii.	Description of Institution's Operations.....	61
iv.	Conclusions with Respect to Performance Tests .....	63
b.	Albany, NY Metropolitan Area (reviewed using full-scope review)	
i.	Description of Institution's Operations.....	68
ii.	Conclusions with Respect to Performance Tests .....	70
c.	Utica-Rome, NY Metropolitan Area (reviewed using full-scope review)	
i.	Description of Institution's Operations.....	75
ii.	Conclusions with Respect to Performance Tests .....	77

d.	Syracuse, NY Metropolitan Area (reviewed using full-scope review)	
i.	Description of Institution's Operations.....	82
ii.	Conclusions with Respect to Performance Tests .....	84
e.	Glens Falls, NY Metropolitan Area (reviewed using limited-scope review)	
i.	Description of Institution's Operations.....	89
ii.	Conclusions with Respect to Performance Tests .....	90
f.	Nonmetropolitan Statewide Area #1 (reviewed using limited-scope review)	
i.	Description of Institution's Operations.....	91
ii.	Conclusions with Respect to Performance Tests .....	92
g.	Nonmetropolitan Statewide Area #2 (reviewed using limited-scope review)	
i.	Description of Institution's Operations.....	91
ii.	Conclusions with Respect to Performance Tests .....	92
VI.	State of Vermont	
a.	Summary	
i.	State Rating .....	95
ii.	Scope of Examination .....	95
iii.	Description of Institution's Operations.....	96
iv.	Conclusions with Respect to Performance Tests .....	97
VII.	State of Connecticut	
a.	Summary	
i.	State Rating .....	103
ii.	Scope of Examination .....	103
iii.	Description of Institution's Operations.....	104
iv.	Conclusions with Respect to Performance Tests .....	104
VIII.	State of Tennessee	
a.	Summary	
i.	State Rating .....	110
ii.	Scope of Examination .....	111
iii.	Description of Institution's Operations.....	111
iv.	Conclusions with Respect to Performance Tests .....	112
IX.	Appendices	
a.	Minority Application Flow (MA Division of Banks).....	A-1
b.	Scope of Examination Tables .....	A-3
c.	Summary of State and Metropolitan Area Ratings .....	A-5
d.	Glossary .....	A-6

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Berkshire Bank (or the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **January 20, 2015**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.

## INSTITUTION'S CRA RATING

***INSTITUTION'S CRA RATING: Satisfactory by the FDIC and the Division.***

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

*The following table provides the performance level of Berkshire Bank with respect to the Lending, Investment, and Service Tests.*

PERFORMANCE LEVELS	<u>BERKSHIRE BANK</u>		
	PERFORMANCE TESTS		
	Lending Test (*)	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Satisfactory (**)	X		
Needs to Improve			
Substantial Noncompliance			

\* NOTE: The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

\*\*NOTE: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term "satisfactory" will be used in lieu of the "low satisfactory" rating for the Lending, Investment, and Service Test ratings.

The assigned rating is based on the following factors:

### **Lending Test**

Given the institution's performance context, lending levels reflect good responsiveness to the credit needs of its assessment areas. Berkshire Bank made an adequate percentage of loans within its assessment areas during the review period. The geographic distribution of loans reflects adequate dispersion throughout the assessment areas. The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes. Berkshire Bank made a relatively high level of community development loans. During the review period, the Bank originated 20 community development loans totaling approximately \$42.9 million. Berkshire Bank made use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment areas.

### **Investment Test**

Berkshire Bank has a significant level of qualified community development investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position. Qualified equity and debt investments total \$24.2 million and qualified donations total \$1.3 million. These consist of \$9.8 million in new investments during the evaluation period. This is an indication of the Bank's commitment to meeting community development needs by making qualified investments and donations. In addition, qualified investments demonstrate good responsiveness to community development needs. The Bank made significant use of innovative or complex initiatives not routinely provided by private investors.

### **Service Test**

The Bank's branch locations and alternative delivery systems are reasonably accessible to essentially all portions of its assessment areas. The record of opening and closing of branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals or geographies. The Bank's business hours are consistent with those of other financial institutions and do not vary in a way that inconveniences certain portions of the assessment areas. Berkshire Bank also provided a relatively high level of community development services in the forms of employee involvement, educational seminars, and other programs.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Berkshire Bank is a state-chartered stock savings bank headquartered in Pittsfield, Massachusetts. The Bank formed in 1997, with the merger of Great Barrington Savings Bank and Berkshire County Savings Bank. Berkshire Hills Bancorp, Inc. (BHB), also headquartered in Pittsfield, Massachusetts and incorporated in Delaware, is the sole stockholder and holding company of Berkshire Bank. BHB is also the holding company for the Berkshire Insurance Group.

The Bank offers a variety of loan products, including conventional fixed rate and adjustable rate mortgages, fixed rate and adjustable rate jumbo mortgages, Federal Housing Administration (FHA) Loans, Veterans Affairs (VA) Loans, Home Equity Lines of Credit (HELOCs), commercial real estate loans, and other commercial and consumer loan products. The Bank also offers reverse mortgages.

The Bank offers standard deposit products, including a premium checking account and a free checking account, as well as standard savings products such as passbook accounts, certificates of deposit, and money market accounts.

The Bank operates a wealth management group that offers investment and wealth management services throughout its market areas. The Bank also operates seven wholly owned subsidiaries: Beacon Comprehensive Services Corporation; RSP Properties, Inc.; CSB Service Corporation; Legacy Insurance Service of the Berkshires, LLC; Renaissance Investment Group, LLC; North Street Securities Corporation; and Woodland Securities, Inc. Berkshire Bank terminated the existence of the wholly owned subsidiary Berkshire Municipal Bank on June 30, 2014, by merging it with the Bank. Berkshire Municipal was a New York State-chartered, special purpose, municipal bank that provided specialized banking services for New York municipalities and other government agencies and entities. The Bank terminated and liquidated the remaining two subsidiaries, Gold Leaf Securities and Berkshire Financial Planning, Inc., on December 31, 2014 as a part of a planned internal reorganization.

Since the prior evaluation, the Bank has expanded its operations through acquisitions and opening new branches. The Bank acquired Connecticut Bank & Trust, a \$278 million bank headquartered in Hartford, Connecticut, on April 20, 2012, which was just before the prior evaluation. Connecticut Bank & Trust operated eight retail bank branches in Connecticut. The Bank acquired Beacon Federal Savings Bank (Beacon Federal), a \$1.0 billion bank headquartered in East Syracuse, New York on October 19, 2012. Beacon Federal operated four offices in Central New York, two offices in Tennessee, and one office in Eastern Massachusetts. The Bank purchased 20 retail bank branches from Bank of America on January 17, 2014. The acquired branches were located in Eastern and Central New York.

The Bank's legal headquarters is located at 24 North Street in Pittsfield, Massachusetts (not a full-service branch), with its main office and operations located at 99 North Street in Pittsfield. In addition, the Bank currently operates 91 branch offices in Berkshire, Hampden, Hampshire, Worcester, and Middlesex Counties in Massachusetts; Albany, Columbia, Greene, Herkimer, Fulton, Montgomery, Oneida, Onondaga, Rensselaer, Saratoga, Schenectady, Warren, and Washington Counties in New York; Bennington, Rutland, and Windsor Counties in Vermont; Hartford and Tolland Counties in Connecticut; and Warren County in Tennessee. Since the prior

evaluation, the Bank has increased its assessment areas to include parts of Eastern Massachusetts, Western New York, Connecticut, and Tennessee.

As of September 30, 2014, the Bank had total assets of \$6.3 billion, which represents a 41.5 percent increase from total assets of \$4.5 billion at the prior evaluation as of June 30, 2012. The increase is primarily due to bank acquisitions. The Bank's loan portfolio, which represents 72.3 percent of total assets, increased 35.1 percent since the prior evaluation.

Senior management indicated the Bank attempts to maintain a generally balanced portfolio with equal emphasis on residential and commercial lending. However, the Bank has originated a much higher volume of residential loans compared to commercial loans since the prior evaluation. This is primarily due to significant activity from the loan production office in Middlesex County, Massachusetts. Table 1 details the distribution of Berkshire Bank's loan portfolio as of September 30, 2014.

<b>Table 1</b> <b>Loan Portfolio as of September 30, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount \$('000s)</b>	<b>Percent of Total Loans</b>
1-4 Family Residential Construction Loans	27,540	0.6
Other Construction Loans and All Land Development and Other Land Loans	155,664	3.4
Secured by Farmland	0	0.0
Revolving, Open-end Loans Sec. by 1-4 Fam. Res. Props & Extended Under LOC	316,093	6.9
Closed-end Loans Secured by 1-4 Family Residential Prop: Secured by First Liens	1,487,888	32.3
Closed-end Loans Secured by 1-4 Family Residential Prop: Secured by Jr. Liens	95,576	2.1
Secured by Multi-Family (5 or more) Residential Properties	142,901	3.1
Secured by Owner-Occupied Nonfarm Nonresidential Properties	522,694	11.4
Secured by Other Nonfarm Nonresidential Properties	733,663	15.9
<b>Total Real Estate Loans</b>	<b>3,482,019</b>	<b>75.6</b>
Commercial and Industrial	719,299	15.6
Loans to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	402,893	8.8
<b>Total Loans</b>	<b>4,604,211</b>	<b>100.0</b>

*Source: Report of Condition and Income (Call Report)*

As shown by the data in Table 1, one-to-four family and multi-family residential loans comprise of 45.0 percent of the Bank's portfolio. These loans include closed-end mortgage loans (including junior liens), as well as revolving home equity lines of credit. Commercial, Other Nonresidential and Industrial loans account for 42.9 percent of the loan portfolio.

The Division and the FDIC last evaluated the Bank's CRA performance on September 24, 2012, which resulted in a rating of "Satisfactory" assigned by the FDIC and the Division. There are no apparent financial or legal impediments limiting the Bank's ability to help meet the credit needs of its assessment area.

## Description of Assessment Areas

Currently, Berkshire Bank's combined assessment area (Combined AA) includes geographies in the States of Massachusetts, New York, Vermont, Connecticut, and Tennessee. The Bank divides the Combined AA into thirteen individual assessment areas, which include nine metropolitan statistical areas (MSAs) and four non-metropolitan areas. In Massachusetts, the Combined AA includes the entire Pittsfield, MA MSA, parts of the Boston-Cambridge-Quincy, MA-NH MSA, parts of the Springfield, MA MSA, and the entire Worcester, MA MSA. In New York, the Combined AA includes parts of the Albany-Schenectady-Troy, NY MSA, parts of the Utica-Rome, NY MSA, parts of the Syracuse, NY MSA, parts of the Glens Falls, NY MSA, and two non-MSA areas (in Central and Eastern New York). In Connecticut, the Combined AA includes parts of the Hartford-West Hartford-East Hartford CT MSA. In Vermont, the Combined AA includes one non-MSA area in the Southwestern part of the state. In Tennessee, the Combined AA includes all of Warren County, which is in a non-MSA area.

The previous evaluation, dated September 24, 2012, indicated the Bank had five assessment areas. These included the Berkshire AA, Pioneer Valley AA, Albany AA, Oneida AA, and Vermont AA, composed of 217 census tracts. During the evaluation period, the Bank has added 1,156 census tracts resulting in eight new assessment areas.

At year-end 2012, the Bank added the following geographies to the Combined AA: 174 census tracts in the Hartford-West Hartford-East Hartford, CT MSA; 318 census tracts in the Cambridge-Newton-Quincy, MA-NH MSA; 185 census tracts in the Syracuse, NY MSA; 49 census tracts in Rutherford County, TN MSA; and 9 census tracts in a non-MSA area in Warren County, TN MSA. The increased presence in Connecticut was due to the acquisition of Connecticut Bank & Trust in April 2012. Connecticut Bank & Trust operated eight branches in the Hartford-West Hartford-East Hartford, CT MSA. Entry into the Cambridge-Newton-Quincy, MA-NH MSA was due to the one retail bank branch acquired from Beacon Federal in Middlesex County. Entry into the Syracuse, NY MSA was due to the purchase of two Beacon Federal branches in the area. Entry into Tennessee was due to the two branches acquired from Beacon Federal.

During 2013, the Bank added 17 census tracts in the Glens Falls, NY MSA near the branch in Whitehall, NY. In addition, the Bank removed 45 census tracts in the Syracuse, NY MSA to more accurately reflect its primary lending area.

Table 2 shows demographics for the Combined AA as delineated by the Bank in 2013.

<b>Table 2 – Demographic Information for Combined AA (2013)</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (Census Tracts)	1,183	11.9	18.7	43.1	25.3	1.0
Population by Geography	4,844,000	9.3	18.2	45.0	27.3	0.3
Owner-Occupied Housing by Geography	1,223,740	3.3	13.6	50.5	32.7	0.0
Businesses by Geography	408,935	8.5	15.5	45.5	30.4	0.1
Family Distribution by Income Level	1,196,918	22.1	17.2	21.4	39.3	0.0
Distribution of Low- and Moderate- Income Families throughout AA Geographies	470,640	15.4	25.8	42.9	15.8	0.0
FFIEC Adjusted Median Family Income (MFI)		70,059	Median Housing Value		263,106	
Families Below Poverty Level		11.0%	Unemployment		7.0%	

*Source: 2010 U.S. Census data; 2013 FFIEC updated MFI data; and 2013 Dun & Bradstreet (D&B) data.*



In 2013, the Combined AA included 1,196,918 families. Of these, 470,640 or 39.3 percent were low- or moderate-income. In addition, 41.2 percent of these low- and moderate-income families lived in low- and moderate-income census tracts. This information indicates that there are opportunities to lend to low- and moderate-income families among all geography income levels. However, half of low-income families live below the poverty level, making it unlikely that a large portion of these families could obtain or maintain a home purchase loan. In addition, the median housing value is more than seven times higher than the maximum income of a low-income family. The high poverty level and affordability constraints limit lending opportunities to low-income borrowers.

According to 2010 U.S. Census data, there are 2,067,701 housing units in the Combined AA, of which 1,223,740 (59.2 percent) are owner-occupied and 661,507 (32.0 percent) are occupied rental units.

Approximately 71.5 percent of businesses within the assessment area are small businesses with gross annual revenues less than or equal to \$1.0 million. Of the 408,935 businesses that operate within the Combined AA, 8.5 percent are in low-income census tracts, 15.5 percent in moderate-income tracts, 45.5 percent in middle-income tracts, and 30.4 percent in upper-income tracts.

During 2014, the Bank added the following geographies to the Combined AA: 172 census tracts in the Worcester, MA MSA; 7 census tracts in the Syracuse, NY MSA, 12 census tracts in the Glens Falls, NY MSA; 19 census tracts in the Utica-Rome, NY MSA; 28 census tracts in the Columbia County-Greene County New York non-MSA area; and 20 census tracts in the Fulton County-Montgomery County New York non-MSA area. In addition, the Bank removed 49 census tracts in Rutland County, TN due to closing the branch obtained from Beacon Federal in October 2012. The Bank also removed 8 census tracts in the Albany-Schenectady-Troy, NY MSA and 11 census tracts in the Glens Falls, NY MSA. Changes to the AAs in New York are due to the Bank's purchasing 20 branches from Bank of America in January 2014, and adjustments to reflect the Bank's primary lending area.

Entry into the Worcester, MA MSA was due to the opening of a branch in Westborough, MA on October 20, 2014. Since the evaluation considered lending activity up until September 30, 2014, the Combined AA does not reflect the 172 census tracts in the Worcester, MA MSA.

For purposes of this evaluation, the Combined AA for 2014 contains 1,201 census tracts. Of these, 137(11.4 percent) are low-income, 210 (17.5 percent) are moderate-income, 509 (42.4 percent) are middle-income, 333 (27.7 percent) are upper-income, and 12 (1.0 percent) have no income designation.

Table 3 shows demographics for the Combined AA in 2014.

<b>Table 3 - Demographic Information for Combined Assessment Area (2014)</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (Census Tracts)	1,201	11.4	17.5	42.4	27.7	1.0
Population by Geography	4,823,367	8.9	16.9	43.8	30.2	0.3
Owner-Occupied Housing by Geography	1,226,158	3.1	12.2	48.6	36.1	0.0
Businesses by Geography	357,247	7.9	14.2	43.4	34.4	0.1
Family Distribution by Income Level	1,195,319	21.6	16.7	20.8	40.9	0.0
Distribution of Low- and Moderate- Income Families throughout AA Geographies	457,599	15.1	24.4	42.6	17.9	0.0
FFIEC Adjusted MFI		70,598	Median Housing Value		261,617	
Families Below Poverty Level		8.0%	Unemployment		6.9%	

*Source: 2010 U.S. Census data; 2014 FFIEC updated MFI data; and 2014 D&B data.*

In 2014, the Combined AA includes 1,195,319 families. Of these families, 457,599 (38.3 percent) are low- and moderate-income. As referenced in the above table, 39.5 percent of these low- and moderate-income families live in low- and moderate-income census tracts. The 2014 Combined AA has a lower poverty level, but affordability remained a constraint on lending to low- and moderate-income borrowers. The median housing value was more than four times higher the maximum income for moderate-income families and more than seven times higher than the maximum income for low-income families.

According to 2010 U.S. Census data, there are 2,087,732 housing units in the assessment area, of which 1,226,158 (58.7 percent) are owner-occupied and 665,845 (31.9 percent) are occupied rental units.

Approximately 71.2 percent of businesses within the assessment area are small businesses with gross annual revenues less than or equal to \$1.0 million. Of the 357,247 businesses within the Combined AA, 7.9 percent are located in low-income census tracts, 14.2 percent in moderate-income tracts, 43.4 percent in middle-income tracts, and 34.4 percent in upper-income tracts.

The Combined AA's primary industries include health care and social services, retail trade, and accommodation and food services. These industries employ a significant majority of the workforce in the Combined AA. Assessment areas in Massachusetts also have a strong workforce presence in education jobs. New York assessment areas have a strong workforce presence in the manufacturing and transportation or warehouse industries.

### ***Financial Institution Competition***

The Combined AA in which the Bank operates is highly competitive. In many of the Bank's assessment areas, Berkshire Bank competes with large national financial institutions such as Wells Fargo Bank, NA; JP Morgan Chase Bank, NA; Bank of America, NA; and Citibank, NA. The 2013 aggregate lending data shows that 992 lenders extended 186,757 Home Mortgage Disclosure Act (HMDA) reportable loans within the Bank's 13 assessment areas. Berkshire Bank ranked 14<sup>th</sup> overall among these areas with a market share of 1.3 percent, with most of its home mortgage lending occurring in Massachusetts. The Bank's loan production office in Middlesex County primarily accounts for the high concentration of these loans in Massachusetts. The Bank also faced heavy competition from institutions making small business loans, particularly credit card lenders.

## ***Community Contacts***

During the course of completing CRA evaluations, the FDIC and Division contact persons and/or organizations within the institution's assessment areas to gain additional insight regarding community development and credit needs and opportunities, local economic conditions, business opportunities, and whether local financial institutions are meeting community credit needs.

During this review, examiners conducted three community contacts in Massachusetts, New York, and Connecticut. Community contacts from Massachusetts and New York were reviewed since a majority of lending and retail branches are in those states. Additionally, a community contact for Connecticut was reviewed because of the Bank's acquisition of Connecticut Bank & Trust in 2012.

### **Massachusetts**

A community contact was conducted with a community development organization that offers programs to promote economic development within Massachusetts. The organization focuses on educational programs and assistance to low- and moderate-income individuals. It also has programs that focus on foreclosure prevention, as cities such as Chicopee, Springfield, and Holyoke have high foreclosure rates. The community organization expressed concerns regarding the economic condition of the area, including lower wages and higher home prices. High home prices in Western Massachusetts limit the number of families that can afford homeownership.

### **New York**

A community contact was conducted with an organization that focuses on home rehabilitation, home ownership counseling, and housing assistance. The organization's concerns include a need for home repair financing within the community due to the substantial age of the existing housing stock in cities such as Troy, NY. Additionally, there are opportunities in the community to rehabilitate office buildings. The contact noted that large, national financial institutions have helped meet the credit needs within the community.

### **Connecticut**

A community contact was conducted with a community development organization that provides and promotes affordable financial services that benefit low-income residents surrounding the Hartford, CT area. As stated by the organization, the local economy continues to struggle from the recent recession. High taxes restrict small businesses from opening and threaten homeowners through the risk of foreclosure. The credit needs of the community include small dollar loans to both individuals and small businesses.

## ***Assessment Area Credit Needs***

Based on information obtained from community contacts and Bank management, as well as demographic and economic data, the credit and community development needs of the Bank's assessment areas are similar to those of many other metropolitan areas. The assessment area needs continued support for affordable housing, particularly rental units. Certain cities in the area, including Springfield, MA and Albany, NY, need activities and projects to revitalize and stabilize low- and moderate-income geographies. Individuals and businesses in the assessment area have several credit needs. These include retail loan products to meet personal needs and home financing programs for the purchase, construction, improvement, or refinance of residential real estate. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

## SCOPE OF EXAMINATION

This evaluation considered Berkshire Bank's performance under the Lending, Investment, and Service Tests in accordance with large bank evaluation procedures for activities conducted since the prior evaluation, dated September 24, 2012. The following details the data evaluated and applicable timeframes for each test under large bank procedures.

As reflected in the September 30, 2014 Call Report, the Bank's loan portfolio indicates that home mortgage and commercial loans comprise of 45.0 percent and 42.9 percent respectively of the \$4.6 billion in total loans. The review of the lending activity in 2013 and the first three quarters of 2014 revealed that the Bank originated 6,974 home mortgage loans totaling \$1.6 billion and 1,196 small business loans totaling \$172 million. Considering the volume of home mortgage loans during the evaluation period, greater weight was assigned to home mortgage lending when arriving at overall conclusions and the rating under the Lending Test.

Home mortgage loans (data maintained pursuant to HMDA) and small business loans (data maintained pursuant to CRA) originated or purchased between January 1, 2013, and September 30, 2014, were analyzed. Small business loan reporting is required for bank and thrift institutions with assets of \$1.221 billion or more as of December 31 of the prior two consecutive calendar years. The Bank did not originate any small farm loans during the evaluation period; therefore, these were not analyzed in this report. The report also excludes consumer lending since the Bank did not maintain data and this product does not represent a substantial portion of the Bank's lending activity.

The evaluation assigned greater weight to the 2013 lending performance to arrive at Lending Test conclusions, as this is the most recent year for which aggregate lending data is available. Comparison to aggregate lending data refers to the Bank's HMDA Loan Application Register (LAR) and CRA Small Business Loan Register (LR) information as they compared to all home mortgage loans and small business loans reported within particular geographic areas. The aggregate comparisons in this evaluation include only lenders that reported HMDA and CRA data in 2013. Additionally, examiners compared lending activity from 2013 and the first three quarters of 2014 (YTD 2014) to relevant demographic information for particular geographies.

The CRA evaluation also reviewed the Bank's community development loans, innovative or flexible loans, qualified investments and donations, and services from September 25, 2012, through January 20, 2015. Examiners used the September 30, 2014 book value for qualified equity investments made by the Bank prior to the current evaluation period.

Berkshire Bank operates in a large area among five states. In total, Berkshire Bank delineated 13 different assessment areas as of the evaluation date. Examiners will review each assessment area using the following scoping methods:

<b>Table 4 Assessment Area Listing With Scope Delineation</b>		
<b>Assessment Area</b>	<b>Scope</b>	<b>Lending Test Evaluation Period</b>
Massachusetts		
Berkshire AA	Full-Scope	2013/2014
Middlesex AA	Full-Scope	2013/2014
Pioneer Valley AA	Full-Scope	2013/2014
*Worcester AA	*Not Reviewed	N/A
New York		
Albany AA	Full-Scope	2013/2014
Oneida AA	Full-Scope	2013/2014
Syracuse AA	Full-Scope	2013/2014
Glens Falls AA	Limited-Scope	2013/2014
NY1 AA (Non-MSA)	Limited-Scope	2014
NY2 AA (Non-MSA)	Limited-Scope	2014
Vermont		
Vermont AA	Full-Scope	2013/2014
Connecticut		
Hartford AA	Full-Scope	2013/2014
Tennessee		
Warren AA (Non-MSA)	Full-Scope	2013/2014
*Rutherford AA	*Not Reviewed	N/A

\*The performance evaluation contains references to the Worcester, MA and Rutherford, TN AAs; however, these areas were not part of the Bank's Combined AA for most of the evaluation period; therefore, there was no performance evaluation for these AAs.

### ***Interstate Banking and Branch Efficiency Act (IBBEA)***

Since Berkshire Bank operates branches in five states: Connecticut, Massachusetts, New York, Tennessee, and Vermont, examiners assigned separate ratings for each state. The Bank operates in one MSA in Connecticut (Hartford-West Hartford-East Hartford, CT MSA), four MSAs in Massachusetts (Boston-Cambridge-Quincy, MA-NH MSA; Springfield, MA MSA; Pittsfield, MA MSA; and Worcester, MA MSA), four MSAs (Albany-Schenectady-Troy, NY MSA; Glens Falls, NY MSA; Syracuse, NY MSA; and Utica-Rome, NY MSA) and two non-MSA areas in New York, one non-MSA area in Tennessee, and one non-MSA area in Vermont.

The following tables illustrate the distribution of the Bank's branches and lending activity by assessment area for 2013 and YTD 2014. The tables only include loans purchased or originated within the Bank's Combined AA.

**Table 5 - Branch Distribution and Lending Volume by Assessment Area (2013)**

	Branches		Home Mortgages				Small Business Loans			
	#	%	#	%	\$(000)	%	#	%	\$(000)	%
<b>Massachusetts</b>	30	41.7	1,732	77.3	501,514	85.7	226	39.9	27,174	37.2
<b>Berkshire AA</b>	17	23.6	285	12.7	56,934	9.7	150	26.5	15,576	21.3
<b>Middlesex AA</b>	1	1.4	1,180	52.7	396,755	67.8	9	1.6	4,003	5.5
<b>Pioneer Valley AA</b>	12	16.7	267	11.9	47,825	8.2	67	11.8	7,595	10.4
<b>New York</b>	26	36.1	367	16.4	51,859	8.9	176	31.0	24,093	33.0
<b>Albany AA</b>	16	22.2	114	5.1	21,333	3.7	112	19.8	9,747	13.4
<b>Oneida AA*</b>	7	9.7	101	4.5	9,618	1.6	35	6.2	4,475	6.1
<b>Syracuse AA</b>	2	2.8	145	6.5	20,381	3.5	23	4.0	9,524	13.0
<b>Glens Falls AA</b>	1	1.4	7	0.0	527	0.1	6	1.0	347	0.5
<b>NY1 AA</b>	0	0.0	0	0.0	-	0.0	0	0.0	-	0%
<b>NY2 AA</b>	0	0.0	0	0.0	-	0.0	0	0.0	-	0%
<b>Vermont</b>	6	8.3	92	4.1	14,242	2.4	106	18.7	11,378	15.6
<b>Vermont AA</b>	6	8.3	92	4.1	14,242	2.4	106	18.7	11,378	15.6
<b>Connecticut</b>	8	11.1	37	1.6	16,209	2.8	58	10.2	10,162	13.9
<b>Hartford AA</b>	8	11.1	37	1.6	16,209	2.8	58	10.2	10,162	13.9
<b>Tennessee</b>	2	2.8	16	0.6	994	0.2	1	0.2	180	0.3
<b>Warren AA/Rutherford AA**</b>	2	2.8	16	0.6	994	0.2	1	0.2	180	0.3
<b>Total</b>	<b>72</b>	<b>100.0</b>	<b>2,244</b>	<b>100.0</b>	<b>584,818</b>	<b>100.0</b>	<b>567</b>	<b>100.0</b>	<b>72,987</b>	<b>100.0</b>

Source: FDIC records; 2013 HMDA data and 2013 CRA Small Business Loan data. \*Oneida AA contains 1 drive-thru only branch

\*\*The Bank eliminated the Rutherford AA in June 2013

**Table 6 - Branch Distribution and Lending Volume by Assessment Area (YTD 2014)**

	Branches		Home Mortgages				Small Business Loans			
	#	%	#	%	\$(000)	%	#	%	\$(000)	%
<b>Massachusetts</b>	29	32.2	509	61.6	146,604	71.3	152	31.8	20,764	41.5
<b>Berkshire AA</b>	17	18.9	104	12.6	20,767	10.1	105	22.0	13,465	26.9
<b>Middlesex AA</b>	1	1.1	310	37.5	108,710	52.9	4	0.8	2,663	5.3
<b>Pioneer Valley AA</b>	11	12.2	95	11.5	17,127	8.3	43	9.0	4,636	9.3
<b>New York</b>	46	51.1	256	31.0	51,072	24.9	223	46.6	17,365	34.8
<b>Albany AA</b>	18	20.0	39	4.7	25,304	12.3	78	16.3	5,940	11.9
<b>Oneida AA*</b>	16	17.8	81	9.8	6,429	3.1	70	14.6	2,449	4.9
<b>Syracuse AA</b>	2	2.2	110	13.3	14,822	7.2	31	6.5	5,779	11.5
<b>Glens Falls AA</b>	3	3.3	11	1.3	952	4.6	10	2.1	429	0.9
<b>NY1 AA</b>	5	5.6	11	1.3	3,347	1.6	26	5.4	2,566	5.2
<b>NY2 AA</b>	2	2.2	4	0.5	218	0.1	8	1.7	202	0.4
<b>Vermont</b>	6	6.7	38	4.6	3,938	1.9	73	15.3	7,684	15.3
<b>Vermont AA</b>	6	6.7	38	4.6	3,938	1.9	73	15.3	7,684	15.3
<b>Connecticut</b>	8	8.9	18	2.2	3,476	1.7	29	6.1	4,166	8.3
<b>Hartford AA</b>	8	8.9	18	2.2	3,476	1.7	29	6.1	4,166	8.3
<b>Tennessee</b>	1	1.1	5	0.6	329	0.2	1	0.2	60	0.1
<b>Warren AA</b>	1	1.1	5	0.6	329	0.2	1	0.2	60	0.1
<b>Total</b>	<b>90</b>	<b>100.0</b>	<b>826</b>	<b>100.0</b>	<b>205,419</b>	<b>100.0</b>	<b>478</b>	<b>100.0</b>	<b>50,039</b>	<b>100.0</b>

Source: FDIC records; 2014 HMDA data and 2014 CRA Small Business Loan data. \*Oneida AA contains 1 drive-thru only branch

As of June 30, 2014, Massachusetts branches have 50.4 percent of Bank deposits, followed by New York branches at 36.9 percent, Vermont branches at 6.9 percent, Connecticut branches at 5.3 percent, and the Tennessee branch at 0.5 percent. Although New York has the greatest share of branches and small business loans, Massachusetts has the greatest share of Bank deposits and home mortgage loans. This is due to the Bank's being headquartered in Massachusetts and having a loan production office in Massachusetts that originates a high volume of home mortgage loans.

The Bank's Loan-to-Deposit (LTD) ratio was 99.6 percent as of September 30, 2014, based on net loans of \$4.6 billion and deposits of \$4.6 billion. The Bank's average Loan-to-Deposit (LTD) ratio over the nine quarters since the last evaluation was 99.7 percent.

Considering a majority of lending and a high percentage of full-service branches are located in Massachusetts, the evaluation weighted performance in this state more heavily than the Bank's performance in other states. In descending order, the performance evaluation weighed the following states: Massachusetts, New York, Vermont, Connecticut, and Tennessee. The number of branches, deposits, and lending volume influenced the assigned weight.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment areas by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment areas; 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment areas; 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses of different sizes; 5) the distribution of small business loans by loan amount at origination; 6) the volume of community development lending; and (7) the use of innovative or flexible lending practices.

The Bank's overall Lending Test performance rating is Satisfactory. The sections below discuss the Bank's performance under each criterion.

#### Lending Activity

This performance criterion considers the volume of the Bank's lending in relation to the Bank's capacity and resources. The Bank's lending levels reflect good responsiveness to assessment area credit needs. During 2013 and YTD 2014, Berkshire Bank originated or purchased a combined 6,974 home mortgage and small business loans totaling \$1.8 billion. Of this total, 3,067 home mortgage loans totaling approximately \$790.0 million and 1,045 small business loans totaling approximately \$123.0 million were inside the Combined AA.

During 2013, Berkshire Bank attained a high market rank for HMDA lending inside the Combined AA. The Bank was the 14<sup>th</sup> largest originator of home mortgage loans by loan volume, and the 13<sup>th</sup> largest originator of home mortgage loans by dollar volume, among the 992 HMDA reporters. The Bank's market share was 1.3 percent by both number and dollar volume.

All of the higher ranked lenders were larger financial institutions and mortgage companies that operate on a regional or national basis. These include Wells Fargo Bank, NA; JPMorgan Chase Bank, NA; Bank of America, NA; Citibank, NA; and RBS Citizens, N.A. Market rank information for 2014 was not available as of the evaluation date. In 2014, the Bank's HMDA loan volume decreased considerably by 58.9 percent. The decline in refinance loan activity due to higher rates caused this trend, which affected the entire residential mortgage market nationwide.

Berkshire Bank also attained a favorable market rank for its small business lending. During 2013, the Bank was the 16<sup>th</sup> largest originator of small business loans among the 195 reporters in the Combined AA, by number volume. The Bank was the third largest originator of small business loans by dollar volume. The Bank's market share was 1.5 percent by number and 4.4 percent by dollar volume.

A majority of the lenders that ranked higher than the Bank were larger financial institutions or credit card banks that typically originate numerous credit lines in lower dollar amounts. The area's top small business lenders include American Express, FSB; FIA Card Services; Citibank,



NA; Capital One Bank USA, NA; and US Bank, N.A. These lenders typically have average loan sizes equal to or less than \$12,000. Small business loan volume decreased slightly in 2014, but was generally consistent with 2013 performance.

### Assessment Area Concentration

This performance criterion considers the number and dollar amount of home mortgage loans and small business loans originated within the Combined AA during 2013 and YTD 2014. Table 7 shows that the Bank made an adequate level of loans in the Combined AA.

<b>Table 7</b>										
<b>Assessment Area Concentration</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollar Volume</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>
<b>Home Mortgage Loans</b>										
<b>2013</b>										
Home Purchase	826	50.6	807	49.4	1,633	256,169	51.0	246,319	49.0	502,488
Refinance	1,315	54.7	1,090	45.3	2,405	315,117	50.9	304,400	49.1	619,517
Home Improvement	100	57.8	73	42.2	173	13,532	42.7	18,151	57.3	31,683
<b>Total</b>	<b>2,241</b>	<b>53.2</b>	<b>1,970</b>	<b>46.8</b>	<b>4,211</b>	<b>584,818</b>	<b>50.7</b>	<b>568,870</b>	<b>49.3</b>	<b>1,153,688</b>
<b>YTD 2014</b>										
Home Purchase	439	47.0	496	53.0	935	132,214	42.9	175,838	57.1	308,052
Refinance	293	55.9	231	44.1	524	62,821	37.7	103,689	62.3	166,510
Home Improvement	94	87.0	14	13.0	108	10,384	79.4	2,702	20.6	13,086
<b>Total</b>	<b>826</b>	<b>52.7</b>	<b>741</b>	<b>47.3</b>	<b>1,567</b>	<b>205,419</b>	<b>42.1</b>	<b>282,229</b>	<b>57.9</b>	<b>487,648</b>
<b>Total Home Mortgage</b>	<b>3,067</b>	<b>53.1</b>	<b>2,711</b>	<b>46.9</b>	<b>5,778</b>	<b>790,237</b>	<b>48.1</b>	<b>851,099</b>	<b>51.9</b>	<b>1,641,336</b>
<b>Small Business Loans</b>										
<b>2013</b>	567	86.1	99	14.9	666	72,987	68.1	34,269	31.9	107,256
<b>YTD 2014</b>	478	90.2	52	9.8	530	50,039	77.0	14,991	23.0	65,030
<b>Total Small Business</b>	<b>1,045</b>	<b>87.4</b>	<b>151</b>	<b>12.6</b>	<b>1,196</b>	<b>123,026</b>	<b>71.4</b>	<b>49,260</b>	<b>28.6</b>	<b>172,286</b>
<b>Grand Total</b>	<b>4,112</b>	<b>59.0</b>	<b>2,862</b>	<b>41.0</b>	<b>6,974</b>	<b>913,263</b>	<b>50.4</b>	<b>900,359</b>	<b>49.6</b>	<b>1,813,622</b>

Source: HMDA LAR (2013 & 2014) and CRA LR (2013 & 2014)

During the review period, the Bank originated or purchased 53.1 percent of home mortgage loans and 87.4 percent of small business loans in the Combined AA. The volume of home mortgage loans decreased from 2013 to YTD 2014, primarily due to a large drop in refinance loans. The assessment area concentration and volume for small business loans are on pace to increase in 2014.

### Geographic Distribution

This criterion assesses the Bank's performance in addressing the credit needs in low-, moderate-, middle-, and upper- income census tracts in the Combined AA. As noted previously, home mortgage lending activities received more weight in evaluating the Bank's performance.

The geographic distribution of loans reflects adequate dispersion throughout the Combined AA.

## Home Mortgage Analysis:

The geographic distribution of home mortgage loans reflects adequate dispersion. The analysis compared the Bank's home mortgage loans for 2013 and YTD 2014 to the percentage of total owner-occupied housing units within each geography income level. The Bank's lending in 2013 was compared to aggregate home mortgage data and demographic data, while YTD 2014 performance was only compared to demographic data. Table 8 shows the distribution of home mortgage loans by census tract income level.

<b>Table 8</b>							
<b>Geographic Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Owner- Occupied Housing Units</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Owner- Occupied Housing Units</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>3.2</b>	2.4	22	1.0	<b>3.1</b>	15	1.8
Moderate	<b>13.6</b>	12.2	221	9.9	<b>12.2</b>	75	9.1
Middle	<b>50.5</b>	49.2	1,121	50.0	<b>48.6</b>	399	48.3
Upper	<b>32.7</b>	36.2	877	39.1	<b>36.1</b>	337	40.8
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>2,241</b>	<b>100.0</b>	<b>100.0</b>	<b>826</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

As noted in Table 8, the Bank's home mortgage lending in low-income census tracts (1.0 percent) lagged both the aggregate data (2.4 percent) and demographics (3.2 percent) in 2013. Lending in low-income census tracts in YTD 2014 (1.8 percent) was closer to the demographics than it was in 2013.

The Bank's distribution of home mortgage loans in moderate-income census tracts in 2013 (9.9 percent) was slightly below the aggregate (10.6 percent) and demographics (13.6 percent). Lending activity in moderate-income tracts decreased by number in YTD 2014, although the percentage remained similar. As noted previously, the decrease in refinance loans decreased lending during YTD 2014. Table 8 reveals that the moderate-income census tracts contain 13.6 percent of the area's total owner-occupied housing units in 2013. The percentage of owner-occupied housing units reflects the opportunity for the Bank to originate home mortgage loans in these geographies. Both the Bank and aggregate performance in 2013 were below the percentage of total owner-occupied housing units in moderate-income tracts.

During 2013, the Bank ranked 40<sup>th</sup> out of 349 lenders within the low-income census tracts in the Combined AA. The Bank performed better in the moderate-income census tracts, as it was ranked 18<sup>th</sup> out of 586 lenders. This rank more closely resembles the Bank's overall rank for making home mortgage loans in the Combined AA.

The Bank's recent entry into multiple New York assessment areas and the State of Connecticut affected performance. The Bank continues to identify credit needs and appropriate mortgage products for these areas. Most of the Bank's assessment areas are highly competitive, and there

are limited opportunities to lend in low-income tracts based on the low concentration of owner-occupied units in these areas. Furthermore, the Bank had adequate performance for this criterion in all of its assessment areas, except for the Pioneer Valley AA. Considering these factors, the increased percentage of loans in low-income tracts in YTD 2014, and a reasonable market rank in moderate-income tracts, the Bank's performance is adequate.

### ***Small Business Analysis:***

The geographic distribution of small business loans reflects adequate dispersion. The analysis compared the distribution of the Bank's small business loans for 2013 to aggregate CRA data and business demographics from 2013. The analysis also compared the geographic distribution of small business loans for YTD 2014 to demographics from 2014.

Table 9 depicts the distribution of small business loans within the Combined AA.

<b>Table 9</b>							
<b>Geographic Distribution of Small Business Loans by Income Category of Census Tract</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Businesses</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	8.5	6.5	52	9.2	7.9	34	7.1
Moderate	15.5	14.0	60	10.6	14.2	61	12.8
Middle	45.5	46.1	286	50.4	43.4	242	50.6
Upper	30.4	31.5	168	29.6	34.4	141	29.5
NA	0.1	1.9	1	0.2	0.1	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>567</b>	<b>100.0</b>	<b>100.0</b>	<b>478</b>	<b>100.0</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

As noted in Table 9, the Bank's 2013 small business lending in low-income census tracts (9.2 percent) exceeded both the aggregate data (6.5 percent) and demographics (8.5 percent). Lending in low-income census tracts declined slightly in 2014 to 7.1 percent, although it was consistent with the demographics. The Bank's distribution of small business loans in moderate-income census tracts in 2013 (10.6 percent) was below the aggregate (14.0 percent) and the demographics (15.5 percent). Lending in moderate-income tracts in YTD 2014 increased to 12.8 percent, which was close to the percentage of businesses at 14.2 percent.

### **Borrower Profile**

This criterion evaluates the Bank's record of lending to low-, moderate-, middle-, and upper-income borrowers and small businesses. The analysis considered the distribution of the Bank's home mortgage loans and small business loans based on borrower characteristics, including the number of home mortgage loans to low-, moderate-, middle-, and upper-income borrowers, and loans to businesses with gross annual revenues of \$1.0 million or less.

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of borrowers reflects adequate penetration among borrowers of different income levels. Borrower income levels are categorized as low-, moderate-, middle-, or upper-income based on FFIEC-adjusted Median Family Income figures for the year in which the loans were granted. Table 10 depicts the Bank's distribution of home mortgage loans as compared to the percentage of total families that are within each income level in 2013 and 2014, as well as against the aggregate lending data for 2013.

<b>Table 10</b>							
<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>							
<b>Borrower Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Families</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Families</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>22.1</b>	6.8	95	4.2	<b>21.6</b>	47	5.7
Moderate	<b>17.2</b>	18.2	342	15.3	<b>16.7</b>	146	17.7
Middle	<b>21.4</b>	23.4	571	25.5	<b>20.8</b>	212	25.7
Upper	<b>39.3</b>	38.2	1,063	47.4	<b>40.9</b>	404	48.9
NA	<b>0.0</b>	13.4	170	7.6	<b>0.0</b>	17	2.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>2,241</b>	<b>100.0</b>	<b>100.0</b>	<b>826</b>	<b>100.0</b>

*Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)*

Table 10 indicates that the distribution of home mortgage loans during 2013 and YTD 2014 reflects adequate penetration among borrowers of different income levels. In 2013, the Bank's percentage of lending to low-income borrowers was below the aggregate. Lending to moderate-income borrowers was also below aggregate performance. While aggregate lending data better reflects true loan demand, the Bank's lending to low-income borrowers was well below the percentage of low-income families. As noted previously, high poverty rates affected opportunities to lend to low-income borrowers. Relatively high home values also limited lending to low- and moderate-income families.

A review of 2013 market share data for the Combined AA supports that the Bank's performance is adequate. By number of loans, Berkshire Bank ranked 20<sup>th</sup> among 519 lenders that made at least one loan to a low-income borrower. Most of the higher ranked lenders were larger financial institutions or mortgage companies that operate on a regional or national basis.

Berkshire Bank ranked 15<sup>th</sup> among 643 lenders that made at least one loan to a moderate-income borrower. Wells Fargo Bank, N.A. dominated market share for moderate-income borrowers, capturing 10.1 percent of this market.

The Bank's level of lending to low-income borrowers rose slightly during the review period, going from 4.2 percent in 2013 to 5.7 percent in YTD 2014. In addition, the Bank's lending to moderate-income borrowers increased from 15.3 percent in 2013 to 17.7 percent in YTD 2014.

### ***Small Business Analysis:***

The distribution of borrowers reflects adequate penetration among businesses of different sizes. Table 11 compares Bank lending to aggregate data and business demographics for the appropriate year in terms of business revenues.

<b>Table 11</b>							
<b>Distribution of Small Business Loans by Gross Annual Revenues</b>							
<b>Gross Annual Revenues</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Businesses</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1 Million</b>	<b>71.5</b>	45.6	213	37.6	<b>71.2</b>	340	71.1
<b>&gt; \$1 Million/NA</b>	<b>28.5</b>	54.4	354	62.4	<b>28.8</b>	138	28.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>567</b>	<b>100.0</b>	<b>100.0</b>	<b>478</b>	<b>100</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

As shown in Table 11, the Bank's percentage of loans to businesses with gross annual revenues less than or equal to \$1.0 million in 2013 (37.6 percent) lagged aggregate lending data (45.6 percent), and was below small businesses in that revenue category (71.5 percent). The Bank did not obtain revenue information for a substantial portion of small business loans in 2013. In YTD 2014, both the number and percentage of loans to smaller businesses increased, matching demographics. The Bank obtained revenue information for a much higher portion of borrowers in YTD 2014.

## **COMMUNITY DEVELOPMENT LENDING**

Evaluation of the Bank's community development lending activities is pursuant to the following criteria: 1) the extent to which community development lending opportunities are available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Berkshire Bank originated a relatively high level of community development loans. The Bank originated 20 community development loans during the review period totaling approximately \$42.9 million, which represented 0.9 percent of total loans and 0.7 percent of total assets. While these loans include financing for projects aimed toward economic development, support for qualified community organizations, and affordable housing, the largest portion of loans by dollar amount target revitalization and stabilization projects.

The Bank's community development lending for the current evaluation period represents a decrease of approximately \$3.7 million from the prior evaluation. The Bank's community development loans particularly reflect a commitment to providing community development

financing in the Berkshire and Albany AAs. Table 12 details the Bank's community development lending by community development purpose and by year.

Table 12 Community Development Loans												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization Projects			
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
9/25/2012 – 12/31/2012	0	0	2	115	0	0	0	0	0	0	2	115
2013	0	0	3	2,350	2	6,000	2	3,165	0	0	7	11,515
2014	5	2,263	1	25	1	4,000	4	25,000	0	0	8	31,288
Total	5	2,263	6	2,490	3	10,000	6	28,165	0	0	20	42,918

*Source: Bank Records*

The following community development loans are examples of originations by the Bank during the evaluation period.

## 2012

- The Bank originated a \$90,000 unsecured line of credit for a community educational programming organization. Operating and serving a low-income census tract, this particular site provides financial literacy classes to the community. These classes primarily benefitted low- and moderate-income individuals.
- Berkshire Bank extended a \$25,000 unsecured line of credit to a non-profit organization. The organization provides programs to support community members struggling with addiction recovery. Programs target at-risk youth and primarily benefit low- and moderate-income families.

## 2013

- Berkshire Bank originated two loans totaling \$3.2 million toward the renovation of a commercial property in a low-income census tract in Pittsfield. The goal is to develop a mixed-use property to increase the housing stock and provide commercial retail space within the area. The project, identified in accord with Massachusetts Gateway Cities Revitalization Plan, specifically qualifies under the Housing Development Incentive Program (HDIP).
- The Bank extended a \$2.5 million line of credit with a business development organization located in New York. The organization's mission is to assist, promote and advance the business prosperity and economic welfare of the State of New York by providing loans to small businesses including start-up, early stage and mature businesses. The line of credit will provide bridge financing to small businesses.

- The Bank increased its member loan by \$3.5 million into a business development organization in Massachusetts established to promote economic development. The entity primarily helps small and middle-market companies address their capital needs through private, state, and federal programs. The organization also participates in small business loans with other banks and the Small Business Administration (SBA).

## 2014

- The Bank participated with \$8.5 million in a temporary loan to finance the redevelopment of a 200-room hotel in Albany, New York. The property is located in a moderate-income census tract, and identified by the local government as an essential part of the redevelopment of the downtown Albany area. The expectation is that the project will generate over 100 permanent jobs in the hospitality industry. Berkshire Bank is the lead participant in this project.
- Berkshire Bank participated in a redevelopment project in the Park South neighborhood of Albany, New York. This project contributes to the State's planned urban renewal of the neighborhood by bringing jobs and housing to the formerly blighted area. The project includes construction and permanent financing of a new Medical center in the low-income area. The Bank originated three loans for this project totaling \$16.5 million.
- The Bank originated two loans totaling \$7.9 million for a housing project in Albany, New York. Approximately 21 percent of the units within the project are reserved for Section 8 housing vouchers, resulting in a qualified community development amount of \$1.7 million.

## **INNOVATIVE OR FLEXIBLE LENDING PRACTICES**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period. This criterion includes all innovative and flexible lending activities since the prior evaluation, covering the period, September 25, 2012 through January 20, 2015.

The Bank makes use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The majority of programs involve government-related subsidies and guarantees. The Bank created some special programs to specifically meet the needs of small businesses. The following highlights the various innovative and flexible loan programs offered by the Bank.

### Home Mortgage Lending Programs

- Massachusetts Housing Finance Agency (MHFA) First Mortgages: An affordable 30-year fixed loan for first-time or repeat homebuyers, this product assists low- and moderate-income borrowers in Massachusetts. Along with a reduced rate, the product offers a low down payment as well as flexible underwriting and payment protection services. The Bank originated 87 MassHousing first mortgage loans for a total of \$16.1 million during the review period.

- Connecticut Housing Finance Agency First Mortgages: Similar to the MHFA program, this product offers home loans at below-market interest rates to those who have never purchased a home or those who intend to purchase a home in an area targeted for revitalization by the federal government. The Bank originated 16 loans totaling \$2.1 million during the evaluation period.
- Home Equity Builder Program: This program is offered in conjunction with the Federal Home Loan Bank of Boston. Funds can be used for down payment and closing costs, or rehabilitation assistance to eligible households at or below 80 percent of the area median income for the location of the subject property. During the evaluation period, Berkshire Bank has originated nine loans using this program totaling \$968,085.
- United States Department of Agriculture (USDA) Residential Program: This loan product primarily provides help for low-income individuals or households to purchase homes in rural areas. These specialized loans require expertise from originating lenders. Funds are available to build, repair, renovate or relocate a home. Funds are also available to prepare or renovate residential sites or essential infrastructure, such as water and sewage facilities. The Bank originated 23 loans totaling \$3.7 million under this program during the evaluation period.
- Federal Housing Administration (FHA) Loan Program: The goals of this organization are to improve housing standards and conditions and provide an adequate home financing system through insurance of mortgage loans. This credit is available to borrowers with low credit scores and has a lower down payment requirement. Berkshire Bank originated 476 loans totaling \$121.5 million during the evaluation period.

#### Small Business Lending Programs

- Business Banking Lending Program: The Bank created this program to increase the availability of credit to small businesses. Characteristics of the program include expedited credit decisions, reduced rates and fees, various payment options, and real estate loans up to 80.0 percent of assessed value for businesses with annual sales of under \$10 million. The Bank has originated 1,100 loans totaling approximately \$74.6 million under this program during the evaluation period.
- SBA Express Loan Program: This loan program utilizes an expedited procedure allowing banks to originate small business loans. Characteristics of the program include a 50 percent guaranty, and a rapid decision process from the SBA. During the evaluation period, Berkshire Bank originated 99 loans totaling \$5.1 million.
- SBA 7a Loan Program: This is the most common program within the SBA. The maximum loan amount is \$5,000,000, and the SBA guarantees most loans for 75 percent of the value. These SBA loans offer smaller down payments, flexible terms, and guarantees that assist small businesses in opening, expanding, or continuing their business. Berkshire Bank originated nine loans totaling \$3.2 million through this program during the evaluation period.

#### Consumer Lending Programs

- Emergency Loan Program: The Bank established this program in partnership with the Berkshire Community Action Council to offer short-term, low-income emergency loans of



\$500 or less to people in need of immediate financial assistance. The goal is to link the loans with improving client credit scores. The Bank recently formed the program and originated three loans for \$1,500 since December 2014. This loan benefits low- and moderate-income borrowers not previously served by the institution.

- ***CBT Tech Loans:*** Created in partnership with the State of Connecticut, this program provides low-interest loans to help individuals with disabilities or their family members purchase Assistive Technology devices and services needed to enhance independence and functioning in the community. These consumers can also use the funds to purchase modified automobiles. Berkshire Bank has originated 25 loans totaling \$366,275 during the evaluation period. These loans primarily benefitted low- or moderate-income borrowers relying on social security income.

## **INVESTMENT TEST**

The Investment Test evaluates the Bank's record of helping to meet the credit needs of its assessment areas through qualified investments that benefit the assessment areas, or a broader statewide or regional area that includes the Bank's assessment areas. Activities considered under the Investment Test do not include those included under the Lending or Service Tests. Evaluation of the Bank's investment performance is pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The Bank's overall Investment Test performance rating is High Satisfactory. Berkshire Bank has a significant level of qualified community development investments and grants, particularly those that are not routinely provided by private investors, occasionally in a leadership position. The Bank's qualified equity and debt investments totaled \$24.2 million, and qualified donations totaled \$1.5 million. This amount represents 0.4 percent of total assets as of December 31, 2014. The level of investments increased by 29.8 percent since the previous evaluation, although the ratio of qualified investments to total investments decreased from 3.6 percent to 2.1 percent. Qualified investments demonstrate good responsiveness to community development needs. The Bank makes significant use of innovative or complex initiatives not routinely provided by private investors.

### **Equity and Debt Investments**

The Bank's qualified bonds and equity investments totaled \$24.2 million, or 2.1 percent of the Bank's total investments as of December 31, 2014. This includes approximately \$9.8 million in new investments during the evaluation period, which are composed of investments in the Howard Building Project and Dewitt-Clinton Redevelopment Project tax credits, and the qualified Senior Crimestopper investments. Details of the qualified equity investments made in the Combined AA during the evaluation period are as follows:

***Dewitt-Clinton Redevelopment Project:*** Built in 1927, the DeWitt Clinton Hotel was named after the former Governor of New York State. Hotel operations ceased in 1975 and this project rehabilitates the building back into hotel operations in connection with state and local government's downtown Albany, NY revitalization efforts. This building is located in a

moderate tract in Albany, NY. This renovation will not only support economic revitalization by cleaning up an abandoned building, it will generate new business and job development. Berkshire Bank is the lead investor in this project, and committed to a \$10.6 million investment in 2014. To date, Berkshire Bank's investment contributions total \$5.0 million. (Albany AA)

Howard Building Project: The purpose of this project was to rehabilitate a historic building located in Pittsfield. The project enhances the appeal of living and working in a distressed area of downtown Pittsfield, creating 14 apartments on the second and third floors, and 10,000 square feet of retail space on the ground floor. Established in accord with the Massachusetts Gateway Cities Revitalization Plan, this project specifically qualifies under the Housing Development Incentive Program (HDIP). Berkshire Bank contributed \$1.8 million in investments in during the evaluation period. (Berkshire AA)

The remaining investments were made prior to the current evaluation period, or obtained through merger and acquisition activity.

Senior Crimestoppers Project: An investment obtained through the Beacon Federal Bank acquisition, Berkshire Bank has pledged a total of \$3.0 million to provide on-going, effective crime prevention programs that promote safe environments for low- and moderate-income senior housing residents. The Foundation uses these investments to support the Senior Crimestoppers program for low- to moderate-income seniors residing in senior housing facilities in Onondaga County in New York and Warren County in of Tennessee. The current book value of this investment was \$3.0 million. (Syracuse AA and Tennessee AA)

Jewish Geriatric Services (JGS): JGS is a non-profit organization that provides a comprehensive range of health, education, and social services for the elderly in the Berkshire area. The nursing home of JGS accounts for over 70 percent of the services provided. Additionally, approximately 73 percent of nursing home residents are eligible for MassHealth. Seniors with income at or below the Federal Poverty Guideline qualify for MassHealth; therefore, services provided by JGS targeted low-income individuals. Berkshire Bank purchased bonds in 2011, and the current book value totals \$9.6 million. (Berkshire AA)

YWCA Supportive Housing Project: The purpose of this fund is to support the Springfield-based housing program for women who were victims of domestic violence. Prospective tenants must be homeless or on the verge of homelessness, and lacking any resources to obtain access to conventional housing. The Bank made an investment of \$5.1 million to this project in 2011, and they are the only private investor. The Bank's current book value for this project (including federal credits, state credits, and coverage for project losses) amount to \$3.0 million. (Pioneer Valley AA)

New York Business Development Corporation (NYBDC): This organization works in partnership with banks to provide term loans to small businesses, many of which do not meet the requirements for traditional financing. Through creative underwriting, including multiple participations, SBA 504 guarantees, flexible amortization and long-term payouts, NYBDC is able to finance businesses throughout the state and continue to develop the economy. Berkshire Bank purchased stock in the corporation in 2011. Based upon the annual report of NYBDC, Berkshire Bank's stock investment in NYBDC is \$252,547. (New York AAs)

Massachusetts Housing Investment Corporation (MHIC) Equity Fund II, LLC: MHIC is a Delaware Limited Liability Corporation created for making loans to or equity investments in

businesses that operate in low- and moderate-income communities in The Commonwealth of Massachusetts including Brockton, Springfield, and Pittsfield. The Bank made an initial investment in 2005. The current book value is \$90,410. (Massachusetts AAs)

*MHIC Equity Fund XIV:* The establishment of this fund was to provide affordable housing for disabled and formerly homeless individuals in the Westfield area. The Bank made an initial investment to this fund in 2008. The current book value is \$789,628. (Pioneer Valley AA)

*Statewide Zone Capital Corporation:* This Corporation is a privately owned loan fund committed to supporting the growth of jobs and economic opportunity in New York's Empire Zones by providing capital for new and existing businesses. Based on New York General Law, the characteristics of an Empire Zone include pervasive poverty, high unemployment and general economic distress. This program provides flexible, creative and low-cost financing for qualified zone certified businesses. Rome Savings Bank made the initial investments in 1999 and 2010, which were inherited by Berkshire Bank following the acquisition. The current book value of these investments is \$259,200. (New York AAs)

*Berkshire Housing Development Corp:* The creation of this organization was to bring together the necessary expertise and financial resources to address the affordable housing and downtown revitalization needs in Berkshire County. The Bank holds a bond purchased in 1992, which has a current book value of \$90,300. (Berkshire AA)

*Berkshire Fund:* This fund helps provide first mortgages to low- and moderate-income first-time homebuyers. The loans may be for amounts up to 80 percent of the property value, and provide below-market interest rates. The funds from the sale of the bonds provide second mortgages for up to 15 percent of the property value. Purchased in 1989, the bond was included with additional bonds acquired in this fund through acquisitions. The current book value of all holdings in this fund totals \$176,625. (Berkshire AA)

*Berkshire Capital Investors Fund II Limited Partnership:* The purpose of this fund is to focus on making equity investments in start-up or early stage technology companies and has a primary mission of fostering economic revitalization in Western Massachusetts. In January 2000, the Bank committed \$500,000 to the fund. The current book value is \$36,293. (Berkshire AA)

*Community Preservation Corporation (CPC):* The organization acts as a lending consortium geared toward the creation and rehabilitation of affordable housing throughout the State of New York. With an original commitment of \$445,169, the collateral trust notes currently held by Berkshire Bank amount to \$76,878. (New York AAs)

### **Charitable Contributions**

The Bank makes qualified donations through the Berkshire Bank Foundation. The Bank established its foundation to provide financial support to the local community groups. The Foundation donated approximately \$1.5 million during the review period in qualified donations. All qualified grants and donations benefitted the Bank's Combined AA or the broader statewide or regional area including a Bank assessment area. These funds primarily supported organizations that provide community services to low- and moderate-income individuals and families. Table 13 details all donations made during the review period by year and community development category.

**Table 13**  
**Community Development Grants and Donations**

Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
9/25/2012- 12/31/2012	8	25,800	50	143,674	1	55,000	2	28,500	0	0	61	252,974
2013	23	81,500	140	499,984	4	15,300	3	19,000	0	0	170	615,784
2014	30	94,725	144	426,013	12	43,300	7	21,500	0	0	193	585,538
Total	61	202,025	334	1,059,671	17	113,600	12	69,000	0	0	424	1,454,296

Source: Bank Records

\*Targeted to Low- or Moderate-Income Individuals

\*\* In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

The following is a sample of organizations supported by the Bank's foundation.

**Berkshire:** This organization is charged with strengthening the Berkshire economy using an innovative collaboration among different sectors of the area. The formation of this organization was through the blending of operations of the Berkshire Economic Development Corporation, the Berkshire Visitors Bureau, and the Berkshire Chamber of Commerce. The goals include retaining and attracting jobs, generating tourism in the area, and supporting local businesses.

**Boys & Girls Clubs of Schenectady:** This organization provides social, educational, physical and cultural programming for boys and girls in the Schenectady area regardless of ability to pay. The intent of these programs is to enhance the development of children and to prepare young adults to be responsible and productive members of the community. The organization's community services primarily benefit low- and moderate-income individuals, and it is the largest agency provider of services to disadvantaged youths in the area.

**Food Pantries/Rescue Missions:** The Bank donated annually to several food pantries and rescue missions throughout multiple assessment areas. These efforts are critical to meeting the basic needs of low-income individuals within the Combined AA.

**Capital District YMCA – Student Society of Finance:** The Bank's Foundation provided support for this financial literacy program during the evaluation period. The goal of this program is to equip youths within New York's Capital District with the tools to make responsible financial decisions in the future, avoiding predatory lending and poor consumer habits. The majority of the students involved in the program are from low- or moderate-income segments of the community.

**Capital Region Sponsor a Scholar:** This organization's aim is to help students from low-income families acquire the academic skills they need to earn high school diplomas and enter college. Support includes weekly homework sessions, SAT prep, and advanced payment fee assistance. The Bank supported this organization multiple years within the evaluation period.

*HAPHousing*: This affordable housing organization provides a wide range of innovative housing assistance programs for tenants and homeowners. These services include a first-time homebuyer seminars, down-payment assistance, and neighborhood revitalization initiatives within Massachusetts' Pioneer Valley Area.

## **SERVICE TEST**

The Service Test evaluates the Bank's record of helping to meet the credit needs of its assessment areas by analyzing the availability and effectiveness of Bank systems for delivering retail banking services and the extent and innovativeness of its community development services. The Bank's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the Bank's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the Bank's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

The Bank's overall Service Test performance rating is High Satisfactory. The Bank's service delivery systems are reasonably accessible to essentially all portions of the Combined AA, including low- and moderate-income census tracts. The Bank's business hours are consistent with those of other financial institutions in the area and do not vary in a way that inconveniences portions of the combined assessment area. Changes in branch locations did not adversely affect low- and moderate-income geographies or individuals. The Bank provides a relatively high level of community development services.

### **Retail Banking Services**

#### **Distribution of Branches**

Berkshire Bank's service delivery systems are reasonably accessible to essentially all portions of the Bank's assessment area. Banking services are available at any time both online and via automated teller machines (ATMs). The Bank's corporate headquarters is located in Pittsfield, Massachusetts. In addition, the Bank operates 91 branch offices. The Bank also operates a loan production office in Woburn, Massachusetts.

<b>Table 14</b> <b>Branch and ATM Distribution (2014 Combined Assessment Area)</b>						
Census Tract Income Level	Percent of Tracts (%)	Percent of Population (%)	Branches/Main Office		ATMs	
			#	%	#	%
Low	11.1	8.7	5	5.5	6	10.0
Moderate	17.9	17.0	9	9.9	6	15.0
Middle	41.7	43.3	46	50.5	14	42.5
Upper	27.6	30.7	30	33.0	7	20.0
N/A	1.7	0.3	1	1.1	5	12.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>

*Source: U.S. Census (2010); Bank and FDIC records*

As shown in the table above, the Bank operates 5, or 5.5 percent, of its branches in low-income tracts and 9 branches, or 9.9 percent, in moderate-income tracts. While lower than the total proportion of low- and moderate-income tracts throughout the assessment areas, full service branches and deposit taking ATM's are available to the population.

Alternative delivery systems include multiple online channels that give customers 24/7 access to their accounts.

- ATMs - the Bank maintains 38 freestanding ATMs in addition to at least one in each aforementioned branch location. Six ATMs are located in low-income tracts and six are located in moderate-income tracts.
- Online Banking- the Bank offers free online banking services that allow customers 24/7 access to their accounts via the internet. Customers are able to make online bill payments, check account balances, transfer funds, and view transactions.
- Mobile Banking- the Bank launched a new product in 2014, GPS Checking, allowing customers to make deposits and pay bills through their internet-enabled mobile devices. This service, while not specifically targeting low- and moderate- income individuals, allows the Bank to reach customers that reside outside of the Bank's branch and ATM network.

### **Record of Opening and Closing Branches**

The Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

During the evaluation period, the Bank opened 30 new branches and closed 8. In 2012, the Bank opened 9 branches. In 2013, the Bank opened 2 branches and closed 6. In 2014, the Bank opened 19 branches and closed 2. The Bank purchased, but never operated, 2 additional branches in New York. New branches primarily resulted from the Beacon Federal acquisition in 2012 or the Bank's purchase of 20 Bank of America branches in 2014.

Of the eight branches closed during the evaluation period, one branch was located in a low-income tract in Pittsfield, MA within the Berkshire AA, and one branch was located within a moderate-income tract in Rome, NY within the Oneida AA. The Bank also relocated a branch from a moderate-income tract in West Hartford to a middle-income tract in West Hartford.

Of the 30 new branches opened during the evaluation period, 5 were within moderate-income tracts. Of these, two were in a non-MSA AA in New York, one in the Glens Falls AA, and two in the Oneida AA.

The tables below detail branch closing and opening activity during the evaluation period.

<b>Table 15 Closed Branches</b>	
Guilderland, NY (2013)	Great Barrington, MA (2013)
Rome, NY (2013)	Pittsfield, MA (2013)
West Hartford, CT (2013)	Rutland, VT (2014)
Smyrna, TN (2013)	Southwick, MA (2014)

*Source: Bank and FDIC records*

<b>Table 16 Opened Branches</b>			
Saratoga Springs, NY (2012)	Chelmsford, MA (2013)	Hudson, NY (2014)	Utica, NY (2014) <b>*Four Branches</b>
Slingerlands, NY (2012)	West Hartford, CT (2013)	New Lebanon, NY (2014)	Whitesboro, NY (2014)
East Syracuse, NY (2013)	Schenectady, NY (2013)	Cairo, NY (2014)	New Hartford, NY (2014)
East Syracuse, NY (2013)	Loudonville, NY (2014)	Greenville, NY (2014)	Ilion, NY (2014)
Marcy, NY (2013)	Johnstown, NY (2014)	Glens Falls, NY (2014)	West Winfield, NY (2014)
Morrison, TN (2013)	Amsterdam, NY (2014)	Queensbury, NY (2014)	Westborough, MA (2014)
Smyrna, TN (2013)	Chatham, NY (2014)	Little Falls, NY (2014)	

*Source: Bank and FDIC records*

## **Reasonableness of Hours and Services**

Banking services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or low- to moderate-income individuals.

Bank services include traditional savings and checking products, as well as residential, consumer, and commercial loan products. The Bank's free personal checking account features no minimum balance and gives customers free access to Online Banking. The ATM card is part of the SUM Network of ATMs. The Bank offers these products and services at all retail locations.

The Bank's hours of operation are convenient and comparable to other local area institutions. A majority of the Bank's locations are open from 8:00 A.M. to 5:00 P.M. during the week with additional hours offered on Saturdays from 8:30 A.M. to 12:30 P.M. Certain locations also offer drive-through ATM services.

## **Community Development Services**

Berkshire Bank provides a relatively high level of community development services in the forms of employee involvement, educational seminars, and other programs. The following lists a

sample of the Bank's involvement in community development services during the evaluation period.

## **Employee Involvement**

*Volunteer Income Tax Assistance (VITA):* This program offers free tax help to people within defined income guidelines who need assistance in preparing their own tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals. A Vice President of the Bank is engaged in various aspects of the VITA program. In addition, employees are involved with multiple executive boards and serve as both volunteer tax preparers and site coordinators.

The Vice President assists in the examination and assessment of area VITA sites to ensure that volunteers have adequate training and effectively assist the community. An employee also sits on the executive planning committee to examine overall program strategies to increase awareness of the service for potential clients, volunteers, or philanthropic organizations. Finally, a Bank employee has been instrumental in the development of the "Ca\$h Advisor" program, providing access to basic banking services at the VITA sites alongside tax preparation services.

*Central Berkshire Habitat for Humanity:* A Commercial Relationship Manager serves on the Board of Directors, Executive Committee and Finance Committee for the Habitat for Humanity in the Berkshire region. Central Berkshire Habitat for Humanity is part of a global, nonprofit housing organization that builds affordable housing. (Berkshire AA)

*The Nutrition Center:* A Wealth Advisor Vice President serves on the Board of The Nutrition Center in Great Barrington. The mission of the Center is to inspire a healthy relationship with food through counseling and education. The Center strives to empower children to make healthy food choices. The organization is located within a low-income census tract in Pittsfield and serves majority low- and moderate-income areas in Berkshire County. (Berkshire AA)

*Downtown Pittsfield, Inc.:* A Community Engagement Manager serves on the Board of Downtown Pittsfield, an entity with a mission to foster the on-going growth and vitality of Downtown Pittsfield through leadership and advocacy. This organization's efforts revitalize and stabilize low- and moderate-income census tracts in Downtown Pittsfield. (Berkshire AA)

*Family Life Support:* A Marketing Vice President serves on the Board of Directors of the Family Life Support Louison House, which is a Berkshire County based organization dedicated to finding or maintaining sustainable housing for homeless or near-homeless individuals. (Berkshire AA)

*Gladys Brigham Center:* An Accounting Officer serves as a Board Member and Treasurer of the Gladys Allen Brigham Center, a multi-service community center whose mission is to empower children and youth to become responsible, confident, and personally fulfilled individuals. The Center is located within a low-income census tract in Pittsfield and primarily serves low- and moderate-income individuals. (Berkshire AA)

*Amherst Survival Center:* An Assistant Vice President serves on the Board of Directors of the Amherst Survival Center, a full-service community service center whose mission is to promote the health and well-being of residents of Franklin and Hampshire counties. Services include



providing health, clothing, and food to low- and moderate-income individuals in Franklin and Hampshire Counties. (Pioneer Valley AA)

United Way Ca\$h Advisor: A bank teller used their technical skills in accounting and finance to volunteer as an advisor on bank services at an IRS VITA site through the United Way in Albany. The employee volunteered on numerous occasions and not only enabled low- and moderate-income residents to have their taxes filed free of charge, but provided key information regarding their conventional banking options. The IRS VITA program targets low- and moderate-income individuals and serves a large portion of the under-banked population. (Albany AA)

United Way of Rome and Western Oneida County: An Assistant Vice President serves on the Board of Directors and acts as the Finance Officer of the United Way of Rome and West Oneida County. The organization's mission statement is to provide funding to programs that support people of need in Rome and its surrounding communities. The organization is located in a moderate-income tract and targets LMI individuals with its wide array of community services, including the Legal Aid Society, Mohawk Valley Community Action Center, and the American Red Cross. (Rome AA)

Nutmeg Big Brothers and Big Sisters: A Commercial Relationship Manager serves on the Board of Directors and assists with fund-raising efforts of Nutmeg Big Brothers-Big Sisters of Hartford. This organization allows vulnerable children in need to establish mentor relationships with professionals in their neighborhoods. The employee volunteers his service to the Hartford branch, which is located in a low-income census tract. (Connecticut AA)

Credit for Life Fairs: A series of financial literacy seminars conducted throughout Hampden County, Credit for Life aims to convey the importance of strong financial planning for young adults. Credit for Life is a half-day session for Senior High School students where they role-play as an adult identity with a career, salary, student loan debt and a credit score. They go from table to table establishing their financial "life" taking into account expenses such as housing, insurance, credit, transportation, food and clothing, retirement, savings, and incidentals. These seminars cover an area, which includes a majority of low- and moderate-income census tracts. The Bank and its employees sponsored and participated in the planning and organizing in multiple fairs during the evaluation period, reaching hundreds of students. (Pioneer Valley AA)

Hartford Economic Development Corporation (HEDCO): This is a Connecticut-based organization whose aim is to assist small businesses in meeting their capital needs. A Commercial Senior Vice President sits on the Board of Directors as well as the Loan Committee, providing her technical expertise by assisting in the approval process for financing small business applicants. (Connecticut AA)

## **Educational Services and Seminars**

Morningside Community School Financial Literacy: The Bank coordinated with the Morningside Community School in 2012 and 2013 to provide financial literacy training to students. Bank employees administering the financial education utilized the "Teach Children to Save" modules provided by American Bankers Association (ABA). Topics include budgeting and tracking spending habits, characteristics of the Banking system, and how to make financial decisions. A majority of students attending the Morningside Community School are from low-income families in Pittsfield, Massachusetts.

YMCA Black and Latino Achievers Program: Berkshire Bank offered a several sessions of financial education to students of the Black and Latino Achievers Program. The students involved in the program are primarily low-income. The central purpose of the program is to help youth set higher education and career goals with the help of professionals and community leaders. In concert with the YMCA of the Capital District, topics covered included credit, financial planning, and budgeting. The CRA officer of Berkshire Bank was instrumental in the coordination and development of this program, and received an award from the YMCA for her efforts in 2012.

Soldier On: Soldier On is a nonprofit organization whose aim is to end veteran homelessness through transitional housing and supportive services. In addition to credit counseling services and board involvement, a bank employee administers financial literacy education to veterans in the Capital District of New York. The Bank used the FDIC Money Smart program to provide this financial literacy training to this vulnerable segment of the population during the evaluation period.

YMCA Strategic Teen Enrichment Program (STEP): The STEP program located in the Rome area of Central New York is aimed at low-income high-risk students, and designed to address healthy relationships, conflict resolution, nutrition, resume development, and money management. Bank employees specifically help by providing money management lessons through the FDIC Money Smart program.

Chicopee Neighborhood Development Corporation First Time Homebuyers Education: The Bank works in concert with the neighborhood development agency to provide homebuyer counseling to Chicopee residents who fall within income guidelines. Topics include the mortgage application process, finding a suitable property, and financial planning for a homeowner.

Equinox Youth Outreach Financial Literacy: This is a nonprofit organization serving the most vulnerable segments of the population within the Capital Region. The Bank participated in the financial literacy program in 2013, covering budgeting, financial decisions, making use of bank resources, and the importance of credit. Bank employees used the FDIC Money Smart Program for Adults, as well as the Berkshire Bank Financial Literacy Toolkit.

Junior Achievement – Yates Magnet School: A Capital District school predominately attended by students from low-income families, Yates Magnet School coordinated with Berkshire Bank employees to provide financial literacy training during the evaluation period. Bank employees used the Junior Achievement Financial Empowerment module to administer its training to students, including basic banking and investment information.

Bridge to College: This program is a collaborative effort between the Tutorial Center and the Community College of Vermont. The aim of the program is to assist low-income adults interested in attending college that lack basic skills. In addition to other basic education, Berkshire Bank employees utilize the FDIC Money Smart for Adults program to administer financial literacy information, including budgeting basics.

HAPHousing Financial Literacy: The main goal of this organization is to provide innovative forms of housing assistance throughout Western Massachusetts. The Bank participated in HAPHousing's financial literacy seminar in 2014, speaking to attendees about homebuyer

decision making and improving one's credit. The seminar primarily benefitted low- and moderate-income individuals.

### **Other Community Development Services**

*Interest on Professional Trust Accounts:* The Bank participates in the Interest on Lawyers' Trust Accounts (IOLTA), the Interest on Real Estate Trust Account (IORTA) in Vermont, and the Interest on Real Estate Trust Accounts (IRETA) in Connecticut. The establishment of IOLTA accounts began in the United States in 1981. Lawyers place large client deposits, such as escrow accounts, in interest bearing accounts, with the interest paid to the client. Deposits that would individually be too small or too short-term to generate interest are pooled into IOLTA accounts. Interest earned on the account helps to fund improvements in the administration of justice and delivery of legal services to low-income clients. The Bank maintained IOLTA accounts in Connecticut, Massachusetts, Vermont, and New York. IORTA and IRETA have similar mechanisms for Real Estate Trust Accounts. These accounts provide affordable homeownership services, such as down payment or closing cost assistance for eligible clientele.

*Community Rooms:* The Bank provided community development organizations with free access to a community room for holding meetings, cultural activities and events that are of interest to the communities the Bank serves. These rooms have free Wi-Fi, Blu-Ray capabilities, high definition television, and seating for at least 10 people. Examples of community groups that utilize these rooms include VITA, The Exchange Club, and Habitat for Humanity.

*Financial Literacy Toolkit:* The Bank has worked with the University of Albany to develop an online financial literacy toolkit. A link to this toolkit is on the Bank's community webpage. The toolkit provides basic information regarding investments, avoiding fraud, short-term debt, insurance, loans, and retirement. Additionally, the webpage provides further links to budgeting worksheets and other tools for consumers of all ages.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## **STATE OF MASSACHUSETTS**

***CRA RATING FOR MASSACHUSETTS: Satisfactory***  
***The Lending Test is rated: Satisfactory***  
***The Investment Test is rated: High Satisfactory***  
***The Service Test is rated: High Satisfactory***

The Bank's CRA performance in Massachusetts is similar to its overall performance. A significant portion of the Bank's branches and a majority of the Bank's deposits and lending activities are in Massachusetts; therefore, performance in this state received the greatest weight when arriving at overall conclusions and ratings.

Several factors influenced the weight assigned to each assessment area performance when arriving at Massachusetts ratings and conclusions. The Berkshire AA has the highest share of branches (58.6 percent), deposits (69.2 percent), and small business loan activity (66.4 percent) among MA AAs. The Bank is also headquartered in the Berkshire AA. Consequently, performance in the Berkshire AA received the greatest weight, followed by the Pioneer Valley AA. Although the Middlesex AA has the highest share of home mortgage loan activity, the Bank opened its only branch in the Middlesex AA during the evaluation period. The Middlesex AA also contained less than 1.0 percent of Bank deposits; therefore, it received the least weight.

### **Lending Test**

Given the institution's performance context in the State of Massachusetts, lending levels reflect good responsiveness to the credit needs of the area. The geographic distribution of loans reflects adequate dispersion throughout the area. The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes. During the evaluation period, Berkshire Bank made a relatively high level of community development loans in this area. The Bank makes use of innovative and flexible products throughout the Massachusetts area.

### **Investment Test**

Berkshire Bank has a significant level of qualified community development investments and grants, particularly those that are not routinely provided by private investors, occasionally in a leadership position. Approximately 64.4 percent of qualified equity investments benefitted Massachusetts AAs, reflecting approximately \$15.6 million in investments. Qualified investments demonstrate good responsiveness to community development needs. The Bank made significant use of innovative or complex initiatives not routinely provided by private investors.

## **Service Test**

In addition to branch locations, the Bank offers alternative delivery systems that are reasonably accessible to essentially all portions of the rated state area. The Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals or geographies. The Bank's business hours are consistent with those of other financial institutions in this area and do not vary in a way that inconveniences portions of the state area. The Bank provides a relatively high level of community development services throughout the Massachusetts area.

## **SCOPE OF EXAMINATION**

Examiners performed a full-scope review to evaluate and rate the Bank's CRA performance in Massachusetts in accordance with the requirements of IBBEA. The products and timeframes noted in the scope section for the Combined AA are applicable to this state-level analysis, with the exception that only loans, investments, and services in the State of Massachusetts are considered.

The Bank designated four assessment areas in Massachusetts in 2014, three of which will be the focus of this section of the evaluation. Of these four AAs, the Berkshire AA, Middlesex AA, and Pioneer Valley AA were subject to full-scope reviews. The Worcester AA was not included in the performance evaluation since the Bank added this assessment area in the fourth quarter of 2014. The lending review includes only data through September 30, 2014. Please refer to Tables 5 and 6 for details concerning the distribution of loans and branches in the Massachusetts portion of the Combined AA.

The evaluation of the Bank's Lending Test performance in Massachusetts included a review of the HMDA and CRA data for 2013 and YTD 2014. Additionally, the review included community development lending, innovative and flexible lending products, and investment and service activities from September 25, 2012, through January 20, 2015. All demographic data referenced below is from the 2010 U.S. Census and 2013 and 2014 Dun & Bradstreet data.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS**

The Bank maintained four assessment areas in Massachusetts in 2014 as noted above. The Middlesex AA and Worcester AA are new assessment areas since the previous evaluation. The Bank obtained a single retail bank branch located in the Middlesex AA through the Beacon Federal acquisition in 2012. The single retail bank branch located in the Worcester AA resulted from a purchase by the Bank in the fourth quarter 2014. This section of the evaluation refers to the other three assessment areas, the Berkshire AA, Pioneer Valley AA, and Middlesex AA collectively as the Massachusetts (MA) AAs. A description of the cities and towns included within these areas is in subsequent sections of the performance evaluation. Excluding the Worcester AA branch, the Bank operates 29 of its 90 full-service branches in the MA AAs. The following tables show the demographics of the MA AAs for 2013 and 2014.

<b>Table 17</b>					
<b>Demographic Information for Assessment Areas in Massachusetts (2013)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	472	8.3	22.3	42.6	26.7
Population by Geography	2,138,385	6.4	22.2	44.2	27.2
Owner-Occupied Housing by Geography	526,760	2.2	15.9	49.2	32.7
Businesses by Geography	190,433	6.5	17.2	44.8	31.5
Family Distribution by Income Level	522,260	22.5	16.9	21.3	39.3
Distribution of Low- and Moderate- Income Families throughout AA Geographies	205,840	10.9	31.4	41.6	16.1
FFIEC Adjusted MFI		\$88,812	Unemployment Rate		6.7%
Families Below Poverty Level		7.0%	Berkshire AA		7.5%
Median Housing Value		\$387,442	Middlesex AA		6.0%
			Pioneer Valley AA		9.0%

*Source: 2010 U.S. Census data and 2013 FFIEC updated MFI data. 2013 D&B data*

As shown in Table 17, in 2013 there were 526,760 owner-occupied units within the MA AAs. Of those owner-occupied units, 2.2 percent and 15.9 percent are within low- and moderate-income census tracts, respectively. This reduced the Bank's opportunity to originate loans secured by one-to-four residential properties in low- and moderate-income census tracts. Of total families, 22.5 percent are low-income, providing the Bank with opportunity to lend; however, 31.1 percent of low-income families are below the poverty level, which creates lending challenges. The median housing value of \$387,442 is 42.3 percent higher than that of the Combined AA in 2013. With a low-income family earning a maximum of \$41,154, the high cost of housing in the MA AAs limits homeownership opportunities for many of these families, but also creates opportunities for banks to develop or use innovative and flexible mortgage products.

While the Berkshire AA generally received the most weight, it contains the fewest census tracts and smallest population. As a result, the Middlesex AA and Pioneer Valley AA more heavily influenced demographic and aggregate lending data included in Lending Test tables, which may skew information about the Bank's performance. As an example, the Berkshire AA has only 1 low-income tract compared to 17 in the Middlesex AA and 21 in the Pioneer Valley AA.

As of 2013, approximately 71.9 percent of businesses within the MA AAs have gross annual revenues less than or equal to \$1 million. Of total businesses that operate in the Bank's MA AAs, 6.5 percent and 17.2 percent operate in low- and moderate-income census tracts. The low portion of businesses that operate in these areas limited the Bank's opportunities to originate small business loans.

As of 2013, the median age of housing stock in the MA AAs is 55 years. Low- and moderate-income tracts have a median housing stock age of 65 and 64, respectively. The older housing stock may increase the need for home improvement loans within these census tracts.

Table 18 shows updated demographic information for the MA AAs as of 2014. The difference in percentages in census tract designations and family distribution in 2014 from 2013 is a result of the U.S. Office of Management and Budget (OMB) changes to MSA boundaries that affected the Middlesex AA in 2014. These changes generally decreased the percentage of low- and

moderate-income tracts and families in the Middlesex AA, likely resulting in decreased lending for these categories in 2014 compared to 2013.

<b>Table 18</b>					
<b>Demographic Information for Assessment Areas in Massachusetts (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	472	7.2	19.7	40.9	32
Population by Geography	2,138,385	5.5	19.7	41.8	33.0
Owner-Occupied Housing by Geography	526,760	1.7	13.4	45.2	39.7
Businesses by Geography	169,798	5.9	14.7	40.6	38.9
Family Distribution by Income Level	522,260	21.2	15.9	20.5	42.4
Distribution of Low- and Moderate- Income Families throughout AA Geographies	193,802	10.0	29.2	40.7	20.1
FFIEC Adjusted MFI		\$82,310	Unemployment Rate		6.7%
Families Below Poverty Level		7.0%	Berkshire AA		7.5%
Median Housing Value		\$387,442	Middlesex AA		6.0%
			Pioneer Valley AA		9.0%

*Source: 2010 U.S. Census data and 2014 FFIEC updated MFI data. 2014 D&B data*

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MASSACHUSETTS**

### **LENDING TEST**

#### **Lending Activity**

The Bank's residential mortgage and small business lending activity reflects good responsiveness to the credit needs of the MA AAs during the evaluation period.

During the evaluation period, the Bank originated 38.8 percent of total home mortgage loans and 31.6 percent of total small business loans within the MA AAs. Among the 585 lenders that originated home mortgage loans in 2013 within these areas, Berkshire Bank ranked 13<sup>th</sup> with a market share of 1.7 percent. The top three lenders in the area were JP Morgan Chase Bank (7.6 percent), Wells Fargo Bank (7.4 percent), and Bank of America (3.7 percent). As noted previously, the drop in refinance loan demand resulted in a significant decrease in lending in YTD 2014

The Bank also originated 31.6 percent of small business loans within the MA AAs during the evaluation period. Among the 120 lenders that originated small business loans in 2013, Berkshire Bank ranked 24<sup>th</sup> with a market share of 0.6 percent. The top three lenders in the area in 2013 were American Express (26.6 percent), FIA Card Services, (11.4 percent), and Citibank (7.6 percent). Most top lenders in the area offer small business credit card loans, a product that Berkshire Bank does not offer. The Bank is on pace to make slightly fewer small business loans in 2014.

As noted previously in Table 5, 77.3 percent of home mortgage lending from the Combined AA in 2013 occurred in the MA AAs. This ratio exceeds both the percentage of branches and deposits in the MA AAs. Origination activity from the loan production office in the Middlesex AA caused the higher than expected volume of loans in Massachusetts. The ratio of Combined AA home mortgage loans in Massachusetts decreased to 61.6 percent in YTD 2014, which still exceeded branch and deposit distributions. The percentage of small business loans in the MA AAs was similar to the distribution of branches in Massachusetts.

## Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the MA AAs. The following sections discuss the Bank's performance regarding home mortgage loan and small business loan dispersion throughout low- and moderate-income census tracts.

### *Home Mortgage Analysis:*

Table 19 shows the geographic distribution of HMDA loans throughout the MA AAs.

<b>Table 19</b>							
<b>Distribution of Home Mortgage Loans by Census Tract Income Category</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Owner- Occupied Housing Units</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Owner- Occupied Housing Units</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2.2	2.0	10	0.6	1.7	4	0.8
Moderate	15.9	14.4	176	10.2	13.4	39	7.7
Middle	49.2	47.8	883	51.0	45.2	247	48.5
Upper	32.7	35.9	663	38.3	39.7	219	43.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>1,732</b>	<b>100.0</b>	<b>100.0</b>	<b>509</b>	<b>100.0</b>

*Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)*

As shown in Table 19, among the home mortgage loans originated within the MA AAs, 0.6 percent and 0.8 percent of loans were to borrowers in low-income census tracts in 2013 and 2014, respectively. In 2013, the Bank's performance was less than the 2.2 percent of owner-occupied units within low-income census tracts. Additionally, in 2013, the Bank's lending within low-income census tracts was less than the 2.0 percent from aggregate lending data. The Bank's 0.5 percent market share ranked 45<sup>th</sup> among the 218 lenders that originated loans within low-income census tracts. While the number of loans in low-income tracts decreased in YTD 2014, the percentage of loans increased marginally.

The Bank made 10.2 percent and 7.7 percent of total loans in moderate-income census tracts in 2013 and 2014, respectively. In 2013, the Bank's performance was less than the 15.9 percent of owner-occupied units and 14.4 percent of aggregate loans within moderate-income census tracts. The Bank's 1.2 percent market share ranked 16<sup>th</sup> among the 394 lenders that originated loans within moderate-income census tracts. This performance was comparable to, although slightly less than, the Bank's overall rank and market share in the MA AAs. The Bank's lending to moderate-income tracts decreased in YTD 2014.

Despite trailing demographic and aggregate lending data for low- and moderate-income tracts, the Bank's geographic distribution is adequate for the following reasons. Low-income tracts contain a very small portion of the area's owner-occupied units. The Bank also had a reasonable market rank for loans in moderate-income tracts. In addition, the Bank's performance in the Berkshire AA is adequate, and this assessment area carries the most weight in determining conclusions for the MA AAs.



### ***Small Business Analysis:***

The geographic distribution of the Bank's small business loans reflects adequate dispersion throughout the MA AAs.

<b>Table 20</b>							
<b>Distribution of Small Business Loans by Census Tract Income Category</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Businesses</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>6.5</b>	<b>5.5</b>	31	13.9	<b>5.9</b>	10	6.6
Moderate	<b>17.2</b>	<b>16.1</b>	16	7.2	<b>14.7</b>	13	8.6
Middle	<b>44.8</b>	<b>44.7</b>	101	45.3	<b>40.6</b>	87	57.2
Upper	<b>31.5</b>	<b>32.3</b>	75	33.6	<b>38.9</b>	42	27.6
NA	<b>0.0</b>	<b>1.4</b>	0	0.0	<b>0.0</b>	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>223</b>	<b>100.0</b>	<b>100.0</b>	<b>152</b>	<b>100.0</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

As shown in Table 20, among the small business loans originated within the MA AAs, 13.9 percent and 6.6 percent of loans were to businesses in low-income census tracts in 2013 and 2014, respectively. The Bank's performance in 2013 significantly exceeded the 5.5 percent of aggregate lending and 6.5 percent of businesses within low-income census tracts. The Bank's performance in YTD 2014 decreased, but remained above the 5.9 percent of businesses in low-income tracts.

The percentage of small business loans in moderate-income tracts was 7.2 percent and 8.6 percent in 2013 and 2014, respectively. The Bank's performance in 2013 was less than the 16.1 percent of aggregate lending and 17.2 percent of businesses in moderate-income tracts. The Bank's performance in YTD 2014 increased by percentage, but was less than the 14.7 percent of businesses in moderate-income census tracts in 2014. While the Bank trailed aggregate lending and demographic comparisons in moderate-income tracts, the overall distribution is adequate based on strong lending in the low-income tracts.

### **Borrower Profile**

The distribution of loans within the MA AAs reflects adequate penetration among borrowers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of loans reflects adequate penetration among borrowers of different income levels. Table 21 reflects the distribution of home mortgage loans by borrower income level.

Table 21 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	2013				YTD 2014		
	Total Families	Aggregate Lending Data	Bank Lending Data		Total Families	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	22.5	6.1	66	3.8	21.2	24	4.7
Moderate	16.9	16.4	256	14.8	15.9	79	15.5
Middle	21.3	23.9	435	25.1	20.5	130	25.5
Upper	39.3	41.8	838	48.4	42.4	271	53.2
N/A	0.0	11.8	137	7.9	0.0	5	1.0
Total	100.0	100.0	1,732	100.0	100.0	509	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

The Bank originated 66 home mortgage loans to low-income borrowers in 2013 (3.8 percent) and 24 in 2014 (4.7 percent). The Bank's lending to low-income borrowers was less than aggregate lending (6.1 percent) and significantly less than the percentage of low-income families (22.5 percent). As 31.1 percent of low-income families are below the poverty level in the MA AAs, many of these families could not qualify for a home purchase loan considering the median housing value of \$387,442. In addition, the Bank's 1.1 percent market share ranked 16<sup>th</sup> among the 299 lenders that originated loans to low-income borrowers in 2013. This rank reflects adequate performance. The percentage of loans to low-income borrowers increased in YTD 2014, but was still less than demographics.

The Bank originated 256 home mortgage loans to moderate-income borrowers in 2013 (14.8 percent) and 79 in YTD 2014 (15.5 percent). The Bank's lending to moderate-income borrowers in 2013 was slightly less than aggregate lending data (16.4 percent) and the percentage of moderate-income families (16.9 percent). The Bank's 1.6 percent market share ranked 13<sup>th</sup> among the 381 lenders that originated loans to moderate-income borrowers in 2013. The percentage of loans to moderate-income borrowers increased in YTD 2014, consistent with the percentage of moderate-income families.

### *Small Business Analysis:*

The distribution of loans to businesses with gross annual revenues of \$1 million or less is adequate. Table 22 reflects small business lending in the MA AAs by borrower revenue category.

Table 22 Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending		Total Businesses	Bank Lending	
	%	%	#	%	%	#	%
≤ \$1 Million	71.9	47.4	86	38.1	71.2	114	75.0
> \$1 Million/NA	28.1	52.6	140	61.9	28.8	38	25.0
Total	100.0	100.00	226	100.0	100.0	152	100.0

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 22, the Bank originated 86 small business loans to businesses with a gross annual revenue less than or equal to \$1 million in 2013 (38.1 percent) and 114 in 2014 (75.0 percent). In 2013, the Bank's performance was less than aggregate lending data (47.4 percent) for loans to businesses with revenues of \$1 million or less. Within the MA AAs, 71.9 percent of businesses had revenues less than or equal to \$1 million in 2013.

The Bank significantly increased its percentage of loans to businesses with revenues of \$1 million or less in YTD 2014. The increase is attributed to the Bank's collecting revenue information for a much higher portion of borrowers in 2014. The Bank's lower performance in 2013 was primarily based on the number of business borrowers for which it did not collect revenue information.

### **Community Development Lending**

During the evaluation period, Berkshire Bank originated seven community development loans for approximately \$8.8 million in this area. This reflects a relatively high level of community development lending. These totals represent 35.0 percent by number and 20.5 percent by dollar amount of total community development loans. These loans primarily supported revitalization efforts in the Berkshire AA or economic development in all MA AAs. Please refer to this section for the Combined AA for a more detailed discussion of community development lending.

### **Innovative or Flexible Lending**

The Bank makes use of innovative or flexible lending practices in order to meet credit needs in the area. With the exception of certain state-specific loan programs outside of Massachusetts, the Bank offers the majority of its innovative and flexible products throughout the MA AAs, as outlined in this section for the Combined AA.

### **INVESTMENT TEST**

Berkshire Bank's Investment Test performance rating in the Massachusetts area is High Satisfactory. Qualified investments include tax credit-equity investments for qualified projects, as well as bonds and statewide securities. Of the \$24.2 million in qualified investments purchased and held during the review period, the Massachusetts area received \$15.6 million in equity or debt security investments, approximately 64.4 percent of the total. Additionally, qualified grants within the area totaled \$931,331, approximately 64.3 percent of total donations. This is slightly higher than the level of branches and deposits in Massachusetts. Qualified investments reflect good responsiveness to the area, and the Bank made significant use of innovative or complex initiatives. The Investment Test section for the Combined AA provides details regarding qualified investments and donations.

### **SERVICE TEST**

Berkshire Bank's performance rating in the Service Test for Massachusetts is High Satisfactory. Branches are reasonably accessible to essentially all segments of the state area. Changes in branch locations have not adversely affected the accessibility of retail banking services. Products and services do not vary in a way that inconveniences portions of the MA AAs. The Bank provides a relatively high level of community development services.

Table 23 illustrates the distribution of census tracts, population, Bank branches, and ATMs by tract income level within this area.

<b>Table 23</b> <b>Branch and ATM Distribution – Massachusetts (2014)</b>							
Census Tract Income Level	Number of Tracts	Percent of Tracts	Percent of Population (%)	Branches/Main Office		ATMs	
				#	%	#	%
Low	49	7.6	6.0	3	10.0	2	28.5
Moderate	130	20.2	19.1	1	3.3	1	14.3
Middle	264	41.0	41.9	16	53.3	3	42.9
Upper	198	30.7	32.9	10	33.3	1	14.3
N/A	3	0.5	0.1	0	0.0	0	0.0
<b>Total</b>	<b>644</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>

*Source: U.S. Census (2010); Bank and FDIC records*

The Bank opened two of its current branches and closed three branches in Massachusetts during the evaluation period. The two newly opened branches are in a middle- and upper-income tracts, while closed branches were located in a low-, middle-, and upper-income tracts, respectively. Two other Berkshire Bank branches are currently in the low-income tract in which the Bank closed a branch. The days and hours of operation of the Bank's branch offices are consistent with other banks in the Massachusetts AA. Each full-service branch location offers extended hours during the week and Saturday hours.

The Bank provides a relatively high level of community development services in Massachusetts. As outlined in the Service Test section of the Combined AA, the Bank supports numerous organizations through employee involvement, educational initiatives, and other services that respond to community development needs in the MA AAs.

## **PITTSFIELD, MA METROPOLITAN STATISTICAL AREA**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN PITTSFIELD, MA METROPOLITAN STATISTICAL AREA**

The Berkshire County AA (Berkshire AA) includes all of the 32 cities and towns within Berkshire County. Those communities are Adams, Alford, Becket, Cheshire, Clarksburg, Dalton, Egremont, Florida, Great Barrington, Hancock, Hinsdale, Lanesborough, Lee, Lenox, Monterey, Mount Washington, New Ashford, New Marlborough, North Adams, Otis, Peru, Pittsfield, Richmond, Sandisfield, Savoy, Sheffield, Stockbridge, Tyringham, Washington, West Stockbridge, Williamstown, and Windsor. Berkshire County comprises the entire Pittsfield, MA MSA.

The Berkshire AA comprises 39 census tracts. Of these, 1 (2.6 percent) is low-income, four (10.3 percent) are moderate-income, 26 (66.7 percent) are middle-income, and 8 (20.5 percent) are upper-income.

The Bank operates 17 branches in the Berkshire AA in Dalton, Great Barrington (2), Lenox (2), Lee, North Adams, Otis, Pittsfield (6), Sheffield, Stockbridge, and West Stockbridge. The Bank's headquarters is also located in the Berkshire AA.

<b>Table 24</b>					
<b>Demographic Information for Berkshire AA</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	39	2.6	10.3	66.7	20.5
Population by Geography	131,219	2.6	10.6	66.8	19.9
Owner-Occupied Housing by Geography	38,332	0.6	6.9	69.5	22.9
Businesses by Geography (2013)	12,148	7.5	7.8	62.8	21.9
Family Distribution by Income Level	33,202	21.8	17.0	22.6	38.6
Distribution of Low- and Moderate- Income Families throughout AA Geographies	12,882	3.7	16.9	67.4	12.0
FFIEC Adjusted MFI (2013) Families Below Poverty Level		\$56,400 7.9%	Median Housing Value		\$232,658

*Source: 2010 U.S. Census data, 2013 FFIEC updated MFI data and 2013 D&B data.*

As of 2013, the Berkshire AA consisted of 39 census tracts, which represents 3.3 percent of the 2013 Combined AA. While there were no changes to the Berkshire AA during the evaluation period, the expansion of other assessment areas lowered the Berkshire AA share of tracts to 2.8 percent of the 2014 Combined AA.

Upper-income families represent the highest share of total families by a significant margin, followed by middle-income families. Among low-income families within the Berkshire AA, 36.2 percent have incomes below the poverty level. Since these families may have difficulty obtaining a home purchase loan, this reduces opportunities to make loans to low-income borrowers.

As of 2013, the median age of housing stock in the Berkshire AA is 57. Low- and moderate-income tracts each have a median housing stock age of 71. The older housing stock may increase the need for home improvement loans within these census tracts.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PITTSFIELD, MA METROPOLITAN STATISTICAL AREA**

### **LENDING TEST**

#### **Lending Activity**

The Bank's residential mortgage and small business lending activity reflects adequate responsiveness to the credit needs of the Berkshire AA during the evaluation period.

During the evaluation period, the Bank originated 6.7 percent of total home mortgage loans within the Berkshire AA. Among the 169 lenders that originated home mortgage loans in 2013 within this area, Berkshire Bank ranked fourth with a market share of 7.4 percent. The top three lenders were Greylock Federal Credit Union (22.2 percent market share), Lee Bank (10.9 percent) and Adams Community Bank (8.8 percent).

The Bank also originated 21.3 percent of small business loans within the Berkshire AA during the evaluation period. Among the 38 lenders that originated small business loans in 2013 within the Bank's Berkshire AA, Berkshire Bank ranked sixth with a market share of 7.5 percent. The top three lenders in the area in 2013 were American Express (18.1 percent), US Bank, (16.0 percent),

and Citibank (10.2 percent). Most top lenders in the area offer small business credit card loans, a product that Berkshire Bank does not offer.

As noted previously in Table 5, 12.7 percent of home mortgage lending from the Combined AA in 2013 occurred in the Berkshire AA. This ratio trails both the percentage of branches and deposits in the Berkshire AA due to the high lending volume from the loan production office in the Middlesex AA. The ratio of Combined AA home mortgage loans in the Berkshire AA was steady at 12.6 percent in YTD 2014. The percentage of small business loans in the Berkshire AA was slightly above the distribution of branches in this area.

## Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the Berkshire AA. The following sections discuss the Bank's performance regarding home mortgage loan and small business loan dispersion by census tract income level.

### *Home Mortgage Analysis:*

Table 25 reflects the geographic distribution of home mortgage loans in the Berkshire AA.

<b>Table 25</b>						
<b>Distribution of Home Mortgage Loans by Census Tract Income Category</b>						
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>	
	<b>Total Owner-Occupied Housing Units</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>0.6</b>	<b>0.5</b>	2	0.7	1	1.0
Moderate	<b>6.9</b>	<b>5.2</b>	8	2.8	7	6.7
Middle	<b>69.5</b>	<b>70.1</b>	211	74.0	70	67.3
Upper	<b>22.9</b>	<b>24.3</b>	64	22.5	26	25.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>285</b>	<b>100.0</b>	<b>104</b>	<b>100.0</b>

*Source: U.S. Census (2010), HMDA LAR (2013 & 2014); HMDA Aggregate Data (2013)*

The Bank made 0.7 percent and 1.0 percent of loans to borrowers in the low-income census tract in 2013 and 2014, respectively. In 2013, the Bank's performance was consistent with the 0.6 percent of owner-occupied units and 0.5 percent of aggregate lending within the low-income tract. The Bank's 10.5 market share ranked 6<sup>th</sup> among the 9 lenders that originated 19 loans in the low-income census tracts. The Bank's one loan in the low-income tract in YTD 2014 represented 1.0 percent of total loans and was consistent with demographics.

The Bank made 2.8 percent and 6.7 percent of loans to borrowers in moderate-income census tracts in 2013 and 2014, respectively. The Bank's 2013 performance was less than the 6.9 percent of owner-occupied units and 5.2 percent of aggregate lending within moderate-income census tracts. The Bank's 4.2 percent market share ranked 5<sup>th</sup> among 34 lenders that originated 193 loans in moderate-income census tracts in 2013. While overall home mortgage originations decreased significantly in YTD 2014, the Bank is on pace to exceed the number of originations in moderate-

income tracts in 2013. The percentage of Bank loans in moderate-income tracts in YTD 2014 was consistent with demographics.

### ***Small Business Analysis:***

The geographic distribution of small business loans reflects adequate dispersion in the Berkshire AA. Table 26 reflects the distribution of loans by tract income level.

<b>Table 26</b>							
<b>Distribution of Small Business Loans by Census Tract Income Category</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Businesses</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	7.5	7.7	14	9.3	7.6	3	2.9
Moderate	7.8	7.0	8	5.3	7.9	9	8.6
Middle	62.8	58.6	79	52.7	63.2	67	63.8
Upper	21.9	21.0	49	32.7	21.4	26	24.8
NA	0.0	5.7	0	0.0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>150</b>	<b>100.0</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

As shown in Table 26, 9.3 percent and 2.9 percent of loans were to businesses operating in the low-income census tract in 2013 and 2014, respectively. Bank performance in 2013 exceeded aggregate lending (7.7 percent) and the percentage of businesses (7.5 percent) in the low-income tract. The Bank originated fewer loans in the low-income tract in YTD 2014 than the percentage of businesses (7.6) in this tract.

In moderate-income census tracts, the Bank originated 5.3 percent and 8.6 percent of loans to businesses in moderate-income census tracts in 2013 and 2014, respectively. The distribution of loans in moderate-income census tracts in 2013 was less than aggregate lending (7.0 percent) and the percentage of businesses (7.8 percent) in these tracts. The Bank increased the number and percentage of loans in moderate-income tracts in YTD 2014, exceeding the percentage of businesses (7.9 percent) in these tracts.

### **Borrower Profile**

The distribution of loans within the Berkshire AA reflects good penetration among borrowers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of loans reflects good penetration among borrowers of different income levels. Table 27 reflects the distribution of home mortgage loans by borrower income level.

Table 27 Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	2013				YTD 2014	
	Total Families	Aggregate Lending Data	Bank Lending		Bank Lending	
	%	(% of #)	#	%	#	%
Low	21.8	4.6	16	5.6	14	13.5
Moderate	17.0	12.5	39	13.7	20	19.2
Middle	22.6	19.4	46	16.1	20	19.2
Upper	38.6	55.3	170	59.6	47	45.2
N/A	0.0	8.2	14	4.9	3	2.9
Total	100.0	100.0	285	100.0	104	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014); HMDA Aggregate Data (2013)

The Bank made 5.6 percent of loans to low-income borrowers in 2013, which exceeded aggregate lending (4.6 percent) but trailed the percentage of low-income families (21.8 percent). The Bank's 9.3 percent market share ranked 3<sup>rd</sup> among the 26 lenders that originated 182 loans to low-income borrowers in 2013. The percentage of loans to low-income borrowers increased notably in YTD 2014.

The Bank originated 13.7 percent of loans to moderate-income borrowers in 2013, which exceeded aggregate lending (12.5 percent) but trailed the percentage of moderate-income families (17.0 percent). The Bank's 8.3 percent market share ranked 3<sup>rd</sup> among the 46 lenders that originated loans to moderate-income borrowers in 2013. The percentage of loans to moderate-income borrowers increased in YTD 2014, exceeding demographics.

### ***Small Business Analysis:***

The distribution of small business loans reflects adequate penetration among businesses of different sizes. Table 28 reflects Bank lending by business revenue category.

Table 28 Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending		Total Businesses	Bank Lending	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	71.7	44.8	68	45.3	71.7	78	74.3
> \$1 Million/NA	28.3	55.2	82	54.7	28.3	27	25.7
Total	100.0	100.00	150	100.0	100.0	105	100.0

Source: US Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

The Bank's percentage of loans to businesses with revenues less than or equal to \$1 million in 2013 was consistent with aggregate lending data; however, the Bank's lending was significantly less than the percentage of businesses with revenues of \$1 million or less. The Bank did not consider borrower revenue information for 55 of the 82 loans not made to businesses with revenues of \$1 million or less. The Bank's performance increased significantly in YTD 2014, exceeding



demographics. This is attributed to the higher portion of loans for which the Bank considered borrower revenue information.

## Community Development Lending

During the evaluation period, Berkshire Bank originated four community development loans for approximately \$5.3 million in this assessment area. This reflects a relatively high level of community development lending. One particular loan was highly responsive to community development needs by revitalizing the low-income tract in Pittsfield. In addition, the Bank provided loans to a corporation that originates economic development loans statewide, including the Berkshire AA. Please refer to the community development lending section for the Combined AA for further information.

## Innovative and Flexible Lending

The Bank makes use of innovative or flexible lending practices in order to meet credit needs in the rated area. With the exception of certain state-specific loan programs outside of Massachusetts, the Bank offers the majority of its innovative and flexible products throughout this assessment area, as outlined in this section of the Combined AA.

## INVESTMENT TEST

Berkshire Bank demonstrated excellent Investment Test performance within this assessment area. Qualified investments in the Berkshire AA totaled \$11.7 million, which is 48.3 percent of total qualified investments. These consisted primarily of bonds for an elderly affordable housing project. Additionally, qualified grants within the area totaled \$634,840, representing approximately 43.7 percent of total donations. These ratios exceed the distribution of Bank branches and deposits in this assessment area. Qualified investments reflect good responsiveness to the rated area, and the Bank made significant use of innovative or complex initiatives.

## SERVICE TEST

Berkshire Bank has 17 (18.7 percent) of its 91 full-service branches in this area. Branches and alternative delivery systems are reasonably accessible to essentially all portions of the assessment area. Table 29 illustrates the distribution of assessment area tracts, population, and Bank branches and ATMs by tract income level.

<b>Table 29</b> <b>Branch and ATM Distribution with Demographic Data – Berkshire AA (2014)</b>							
Census Tract Income Level	Number of Tracts	Percent of Tracts	Percent of Population (%)	Branches/Main Office		ATMs	
				#	%	#	%
Low	1	2.5	2.6	2	11.8	2	50.0
Moderate	4	10.3	10.6	0	0.0	1	25.0
Middle	26	66.7	66.8	11	64.7	1	25.0
Upper	8	20.5	20.0	4	23.5	0	0.0
N/A	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>39</b>	<b>100.0</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

Source: U.S. Census (2010); Bank and FDIC records

The Bank closed two branches within this assessment area during the review period, one each in a low- and middle-income census tract. Branch closings did not adversely affect the availability of banking services to low- or moderate-income geographies, as the Bank has two other branches in the low-income tract. The days and hours of operation of the Bank's branch offices are similar to those of other banks operating within this assessment area and do not vary in a way that inconveniences portions of the area. Each of the full-service branch locations offers extended hours during the week and Saturday hours.

The Bank provides a relatively high level of community development services within the assessment area. As outlined in this section for the Combined AA, the Bank supports numerous organizations through employee involvement, educational initiatives, and other services that respond to community development needs in the Berkshire AA.

## **SPRINGFIELD, MA METROPOLITAN STATISTICAL AREA**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN *SPRINGFIELD, MA METROPOLITAN STATISTICAL AREA***

The Pioneer Valley Assessment Area (Pioneer Valley AA) comprises the Hampshire County communities of Chesterfield, Easthampton Town, Goshen, Huntington, Northampton, South Hadley, Southampton, Westhampton, and Williamsburg; and the Hampden County communities of Agawam, Chicopee, East Longmeadow, Hampden, Holyoke, Longmeadow, Ludlow, Southwick, Springfield, West Springfield, Westfield, and Wilbraham. These communities are all within the Springfield, MA MSA.

The Pioneer Valley AA is composed of 115 census tracts. Of these, 21 (18.3 percent) are low-income, 26 (22.6 percent) are moderate-income, 39 (33.9 percent) are middle-income, and 29 (25.2 percent) are upper-income.

The Bank operates 11 branches in the Pioneer Valley AA in Agawam, Chicopee, East Longmeadow, Longmeadow, Ludlow, South Hadley, Southwick, Springfield, Westfield (2), and Williamsburg. Table 30 provides demographic information for the Pioneer Valley AA using 2014 metropolitan boundaries.

<b>Table 30</b>					
<b>Demographic Information for Pioneer Valley AA (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	115	18.3	22.6	33.9	25.2
Population by Geography	504,081	13.6	24.8	34.2	27.4
Owner-Occupied Housing by Geography	122,125	4.0	19.7	40.6	35.7
Businesses by Geography (2013)	35,295	16.9	21.1	34.0	28.0
Family Distribution by Income Level	123,020	25.6	16.7	19.3	38.4
Distribution of Low- and Moderate-Income Families throughout AA Geographies	58,008	20.3	29.3	26.4	13.7
FFIEC Adjusted MFI		\$66,100	Median Housing Value		\$225,140
Families Below Poverty Level		12.6%			

*Source: 2010 U.S. Census data, 2013 FFIEC updated MFI data, and 2013 D&B data*

As of 2013, the Bank's Pioneer Valley AA represented 9.7 percent of the 2013 Combined AA. There were no changes to the Pioneer Valley AA during the evaluation period. However, Bank expansion of other assessment area's reduced this share of geographies to 8.4 percent of the 2014 Combined AA.

Upper-income families represent the highest share of total families by a significant margin, followed by low-income families. Among low-income families, 49.2 percent have incomes below the poverty level. Since these families may have difficulty obtaining a home purchase loan, this significantly reduced opportunities to make loans to low-income borrowers.

As of 2013, the median age of housing stock in the Pioneer Valley AA is 55 years. Low- and moderate-income tracts each have a median housing stock age of 64. Older housing stock often increases the need for home improvement loans within these census tracts.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *SPRINGFIELD, MA METROPOLITAN STATISTICAL AREA***

### **LENDING TEST**

#### **Lending Activity**

The Bank's residential mortgage and small business lending activity reflects adequate responsiveness to the credit needs of the Pioneer Valley AA.

During the evaluation period, the Bank originated 6.3 percent of total home mortgages within the Pioneer Valley AA. Among the 277 lenders that originated home mortgage loans in 2013 within the Bank's Pioneer Valley AA, Berkshire Bank ranked 18<sup>th</sup> with a market share of 1.8 percent. The top three lenders in the area in 2013 were Wells Fargo Bank (8.9 percent market share), Bank of America (4.9 percent) and Easthampton Savings Bank (4.2 percent).

The Bank also originated 9.2 percent of small business loans within the Pioneer Valley AA during the evaluation period. Among the 55 lenders that originated small business loans in 2013 within the Pioneer Valley AA, Berkshire Bank ranked 25<sup>th</sup> with a market share of 0.8 percent. The top three lenders in the area in 2013 were American Express (20.2 percent), Citibank, (9.1 percent), and FIA Card Services (8.1 percent). However, most of the top lenders in the area offer small business credit card loans, a product that Berkshire Bank does not offer.

As noted previously in Table 5, 11.9 percent of home mortgage lending from the Combined AA in 2013 occurred in the Pioneer Valley AA. This ratio slightly trails both the percentage of branches and deposits in the area due to the high lending volume from the loan production office in the Middlesex AA. The ratio of Combined AA home mortgage loans in the Pioneer Valley AA was steady at 11.5 percent in YTD 2014. The percentage of small business loans in this area was similar to that of home mortgage loans.

## Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the Pioneer Valley AA. The following sections discuss the Bank's performance regarding home mortgage loan and small business loan distribution by tract income level.

### *Home Mortgage Analysis:*

The geographic distribution of home mortgage loans reflects poor dispersion throughout the Pioneer Valley AA. Table 31 reflects the distribution of loans by tract income level.

<b>Table 31</b>						
<b>Distribution of Home Mortgage Loans by Census Tract Income Category</b>						
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>	
	<b>Total Owner- Occupied Housing Units</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>4.0</b>	<b>3.1</b>	1	0.4	2	2.1
Moderate	<b>19.7</b>	<b>17.2</b>	31	11.6	5	5.3
Middle	<b>40.6</b>	<b>40.7</b>	98	36.7	39	41.1
Upper	<b>35.7</b>	<b>39.1</b>	137	51.3	49	51.6
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>267</b>	<b>100.0</b>	<b>95</b>	<b>100.0</b>

*Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)*

The Bank made 0.4 percent and 2.1 percent of loans to borrowers in low-income census tracts in 2013 and 2014, respectively. In 2013, the Bank's performance was less than the 4.0 percent of owner-occupied units and 3.1 percent of aggregate lending in low-income census tracts. The Bank's 0.2 percent market share ranked 72<sup>nd</sup> among 79 lenders that originated loans within low-income census tracts. There were 454 loan originations within the low-income census tracts in 2013 among all financial institutions. Nearly all low-income tracts in this assessment area are within Springfield and Holyoke. Although the Bank has a limited physical presence in these cities, the level of lending is less than adequate. The percentage of loans in low-income tracts increased slightly in YTD 2014, but consisted of only two loans.

The Bank originated 11.6 percent and 5.3 percent of loans to borrowers in moderate-income census tracts in 2013 and 2014, respectively. The Bank's 2013 performance was below the 19.7 percent of owner-occupied units and the 17.2 percent of aggregate lending. The Bank's 1.2 percent market share ranked 23<sup>rd</sup> among 155 lenders that originated loans within moderate-income census tracts in 2013. The number and percentage of loans decreased notably in YTD 2014, falling well below demographics.

### *Small Business Analysis:*

The geographic distribution of small business loans reflects adequate dispersion throughout the area. Table 32 reflects the distribution of loans by tract income level.

<b>Table 32</b> <b>Distribution of Small Business Loans by Census Tract Income Category</b>							
Census Tract Income Level	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	4.8	11.6	17	25.4	4.5	3	2.9
Moderate	15.4	15.7	8	11.9	13.5	9	8.6
Middle	46.2	36.8	16	23.9	55.1	67	63.8
Upper	31.8	34.4	26	38.8	25.5	26	24.8
NA	1.8	1.5	0	0.0	1.4	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 32, 25.4 percent and 2.9 percent of loans were to businesses operating in low-income census tracts in 2013 and 2014, respectively. The Bank's distribution of loans to businesses in low-income census tracts in 2013 was excellent, significantly exceeding aggregate lending and the percentage of businesses (4.8 percent) in these census tracts. The Bank's YTD 2014 lending, however, decreased sharply in low-income census tracts, trailing the percentage of businesses (4.5 percent) in these census tracts.

The Bank originated 11.9 percent and 8.6 percent of small business loans to businesses in moderate-income census tracts in 2013 and 2014, respectively. The Bank's performance trailed the 2013 aggregate lending data (15.7 percent) and the percentage of businesses in moderate-income census tracts (15.4 percent). With a decrease in the percentage of loans in moderate-income tracts, the Bank's performance in YTD 2014 trailed the percentage of businesses in these tracts.

### **Borrower Profile**

The distribution of loans within the Pioneer Valley AA reflects adequate penetration among borrowers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of loans reflects adequate penetration among borrowers of different income levels. Table 33 reflects the distribution of loans by borrower income level.

Table 33 Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	2013				2014	
	Total Families	Aggregate Lending Data	Bank Lending		Bank Lending	
	%	(% of #)	#	%	#	%
Low	25.6	6.6	17	6.4	4	4.2
Moderate	16.7	18.3	44	16.5	14	14.7
Middle	19.3	23.9	77	28.8	33	34.7
Upper	38.4	37.0	126	47.2	42	44.2
N/A	0.0	14.2	3	1.1	2	2.1
Total	100.0	100.0	267	100.0	95	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), HMDA Aggregate Data (2013)

The Bank originated 17 home mortgage loans to low-income borrowers in 2013 (6.4 percent). The Bank's lending to low-income borrowers was consistent with aggregate lending data in 2013 (6.6 percent), but less than the percentage of low-income families (25.6 percent) within the Pioneer Valley AA. The Bank's 1.7 percent market share ranked 18<sup>th</sup> among the 94 lenders that originated loans to low-income borrowers in 2013. The number and percentage of loans to low-income borrowers decreased in YTD 2014.

The Bank originated 44 home mortgage loans to moderate-income borrowers in 2013 (16.5 percent). The Bank's lending to moderate-income borrowers was slightly less than aggregate lending data in 2013 (18.3 percent), but consistent with the percentage of moderate-income families (16.7 percent) within the Pioneer Valley AA. The Bank's 1.6 percent market share ranked 21<sup>st</sup> among the 140 lenders that originated loans to moderate-income borrowers in 2013. The number and percentage of loans to moderate-income borrowers decreased in YTD 2014.

#### ***Small Business Analysis:***

The distribution of small business loans to businesses with gross annual revenues of \$1 million or less is adequate. Table 34 reflects the distribution of loans by business revenue category.

Table 34 Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				2014		
	Total Businesses	Aggregate Lending Data	Bank Lending		Total Businesses	Bank Lending	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	71.7	45.0	17	25.4	71.7	34	79.1
> \$1 Million/NA	28.3	55.0	50	74.6	28.3	9	20.9
Total	100.0	100.0	67	100.0	100.0	43	100.0

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 34, the Bank's percentage of loans to businesses with revenues less than or equal to \$1 million in 2013 (25.4 percent) was less than aggregate lending data (45.0 percent) and significantly less than the percentage of businesses with revenues of \$1 million or less (71.7 percent). The Bank did not consider borrower revenue information for 35 of the 50 loans not made

to businesses with revenues of \$1 million or less. The Bank's performance increased significantly in YTD 2014, exceeding demographics. This is attributed to the higher portion of loans for which the Bank considered borrower revenue information.

### **Community Development Lending**

During the evaluation period, Berkshire Bank originated no community development loans within the assessment area. This performance is poor considering the extent of the Bank's operations and community development lending opportunities in the area. The Bank provided loans to a corporation that originates economic development loans statewide, including in the Springfield MSA.

### **Innovative and Flexible Lending**

The Bank makes use of innovative or flexible lending practices in order to meet credit needs in the rated area. With the exception of certain state-specific loan programs outside of Massachusetts, the Bank offers the majority of its innovative and flexible products throughout this assessment area, as outlined in this section of the Combined AA.

### **INVESTMENT TEST**

Berkshire Bank had a significant level of qualified investments within this assessment area, reflecting good responsive to community development needs. The Bank occasionally used complex or innovative initiatives. Qualified investments in the area totaled \$3.8 million. While no investments were new, the Bank maintained a leadership position in one project as the only private investor. Additionally, qualified grants within the area totaled \$228,546, approximately 15.8 percent of total qualified donations. The Investment Test section for the Combined AA provides details on qualified investments in this area.

### **SERVICE TEST**

Berkshire Bank has 11 (12.1 percent) of its 91 full-service branches in this area. Retail banking services are reasonably accessible to essentially all portions of the assessment area. Table 35 reflects the distribution of assessment area tracts, population, and Bank branches and ATMs by tract income level.

<b>Table 35</b>							
<b>Branch and ATM Distribution with Demographic Data – Springfield MSA</b>							
<b>Census Tract Income Level</b>	<b>Number of Tracts</b>	<b>Percent of Tracts</b>	<b>Percent of Population (%)</b>	<b>Branches/Main Office</b>		<b>ATMs</b>	
				<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21	18.3	13.6	1	9.1	0	0.0
Moderate	26	22.6	24.8	1	9.1	0	0.0
Middle	39	33.9	34.2	4	36.4	2	66.7
Upper	29	25.2	27.4	5	45.4	1	33.3
<b>Total</b>	<b>115</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

Source: U.S. Census (2010); Bank and FDIC records

The Bank closed one branch during the evaluation period in an upper-income census tract. The days and hours of operation of the Bank's branch offices are similar to those of other banks operating within this assessment area and do not vary in a way that inconveniences portions of the area. Each of the full-service branch locations offers extended hours during the week and Saturday hours.

The Bank provides a relatively high level of community development services within the assessment area. As outlined in this section for the Combined AA, the Bank supports several organizations through employee involvement, educational initiatives, and other services that respond to community development needs in this assessment area.

## **CAMBRIDGE-NEWTON-FRAMINGHAM, MA METROPOLITAN DIVISION**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN *CAMBRIDGE-NEWTON-FRAMINGHAM, MA METROPOLITAN DIVISION***

The Middlesex County Assessment Area (Middlesex AA) is comprised of all 54 cities and towns within Middlesex County. These include Acton, Arlington, Ashby, Ashland, Ayer, Bedford, Belmont, Billerica, Boxborough, Burlington, Cambridge, Carlisle, Chelmsford, Concord, Dracut, Dunstable, Everett, Framingham, Groton, Holliston, Hopkinton, Hudson, Lexington, Lincoln, Littleton, Lowell, Malden, Marlborough, Maynard, Medford, Melrose, Natick, Newton, North Reading, Pepperell, Reading, Sherborn, Shirley, Somerville, Stoneham, Stow, Sudbury, Tewksbury, Townsend, Tyngsborough, Wakefield, Waltham, Watertown, Wayland, Westford, Weston, Wilmington, Winchester, and Woburn. These 54 communities are all located within Cambridge-Newton-Framingham, MA Metropolitan Division and the Boston-Cambridge-Quincy, MA-NH MSA.

The Middlesex AA comprises 318 census tracts. Using 2013 metropolitan boundaries, 17 (5.4 percent) were low-income, 75 (23.6 percent) were moderate-income, 136 (42.8 percent) were middle-income, 89 (28.0 percent) were upper-income, and 1 (0.3 percent) had no income designation. However, the 2014 revised demographics changed the income category for multiple census tracts, generally decreasing the number of low- and moderate-income geographies.

The Bank operates one branch in the Middlesex AA in Chelmsford, MA, which was new as of October 2012. The Bank also operates Berkshire Home Lending (formerly known as Greenpark Mortgage Corporation), a loan production office in Woburn, MA that operates as a division of the Bank. As a result, the Bank originates a significant volume of home mortgage loans within the Middlesex AA. Home mortgage lending activity in this area far exceeds the ratio of Bank branches and deposits in the area.

Table 36 provides demographic information for the Middlesex AA using 2013 metropolitan boundaries.



<b>Table 36</b> <b>Demographic Information for Middlesex AA (2013)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	318	5.4	23.6	42.8	28.0
Population by Geography	1,503,085	4.3	22.4	45.6	27.8
Owner-Occupied Housing by Geography	366,303	1.7	15.7	49.9	32.7
Businesses by Geography	142,990	3.9	17.0	45.9	33.2
Family Distribution by Income Level	366,038	21.5	17.0	21.8	39.7
Distribution of Low- and Moderate- Income Families throughout AA Geographies	140,940	7.2	32.2	43.8	16.8
FFIEC Adjusted MFI Families Below Poverty Level		\$101,000 5.1%	Median Housing Value		\$464,133

*Source: 2010 U.S. Census data, 2013 FFIEC updated MFI data, and 2013 D&B data*

The branch in the Middlesex AA resulted from the acquisition of Beacon Federal in October 2012, creating a new assessment area since the last evaluation. As of 2013, the Bank's Middlesex AA represented 26.9 percent of the 2013 Combined AA. There were no changes to the Middlesex AA during the evaluation period. However, since the Bank expanded other assessment areas, the Middlesex AA represented 23.2 percent of the 2014 Combined AA.

Upper-income families represent the highest share of total families by a significant margin, followed by middle-income families. Among low-income families within the Middlesex AA, 23.6 percent live below the poverty level. Since these families may have difficulty obtaining and maintaining a home purchase loan, this reduced opportunities to make loans to low-income borrowers.

As of 2013, the median age of housing stock in the Middlesex AA is 55 years. Low- and moderate-income tracts have a median housing stock age of 66 and 63 respectively. Older housing stock often reflects increased need for home improvement loans.

Table 37 provides demographic information for the Middlesex AA using 2014 metropolitan boundaries.

<b>Table 37</b> <b>Demographic Information for Middlesex Assessment Area (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	318	3.8	20.1	39.9	35.9
Population by Geography	1,503,085	3.1	19.0	41.9	36.0
Owner-Occupied Housing by Geography	366,303	1.0	12.4	43.9	42.7
Businesses by Geography	127,252	3.1	13.8	40.1	43.1
Family Distribution by Income Level	366,038	19.7	15.7	20.8	43.9
Distribution of Low- and Moderate- Income Families throughout AA Geographies	129,287	5.5	29.5	42.1	22.8
FFIEC Adjusted MFI Families Below Poverty Level		\$90,625 5.1%	Median Housing Value		\$464,133

*Source: 2010 U.S. Census data, 2014 FFIEC updated MFI data, and 2014 D&B data*

The Bank did not alter the Middlesex AA; however, recent OMB changes to metropolitan boundaries affected 2014 demographics in the Middlesex AA. As a result, the income level of multiple census tracts changed in 2014, generally decreasing the number of low- and moderate-income tracts. The decrease in low- and moderate-income tracts slightly lowered the percentage of owner-occupied units in low- and moderate-income tracts in the area compared to 2013. As a result, it is expected that lending in these geographies in YTD 2014 will be slightly lower than in 2013. As of 2014, the Middlesex AA comprised 12 (3.8 percent) low-income, 64 (20.1 percent) moderate-income, 127 (39.9 percent) middle-income, 114 (35.9 percent) upper-income tracts, as well as 1 (0.3 percent) with no income designation.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *CAMBRIDGE-NEWTON-FRAMINGHAM, MA METROPOLITAN STATISTICAL AREA***

### **LENDING TEST**

#### **Lending Activity**

The Bank's lending activity reflects good responsiveness to the credit needs of the Middlesex AA during the evaluation period. This conclusion is based primarily on home mortgage loan activity.

During the evaluation period, the Bank originated 25.8 percent of home mortgages within the Middlesex AA. Among the 533 lenders that originated home mortgage loans in 2013 within the Bank's Middlesex AA, Berkshire Bank ranked 14<sup>th</sup> with a market share of 1.5 percent. The top three lenders in the area in 2013 were JP Morgan Chase Bank (8.4 percent market share), Wells Fargo Bank (7.2 percent) and Mortgage Master (4.1 percent).

The Bank originated 1.1 percent of small business loans within the Middlesex AA during the evaluation period.

As noted previously in Table 5, 52.7 percent of home mortgage lending from the Combined AA in 2013 occurred in the Middlesex AA. This ratio significantly exceeds both the percentage of branches and deposits in the Middlesex AA, although this is expected given the high lending volume from the loan production office. The ratio of Combined AA home mortgage loans in the Middlesex AA decreased to 37.5 percent in YTD 2014. The decrease in refinance loan demand and the Bank's increased presence in New York caused the declining ratio.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout the Middlesex AA. The following sections discuss the Bank's performance regarding home mortgage and small business loan dispersion by census tract income level.

#### ***Home Mortgage Analysis:***

As shown in Table 38, the geographic distribution of home mortgage loans reflects adequate dispersion throughout the Middlesex AA.

Table 38 Geographic Distribution of Home Mortgage Loans by Income Category of the Census Tract							
Census Tract Income Level	2013				YTD 2014		
	Total Owner- Occupied Housing Units	Aggregate Lending Data	Bank Lending Data		Total Owner- Occupied Housing Units	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	1.7	1.9	7	0.6	1.0	1	0.3
Moderate	15.7	14.2	137	11.6	12.4	27	8.7
Middle	49.9	48.1	574	48.6	43.9	138	44.5
Upper	32.7	35.8	462	39.2	42.7	144	46.5
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>1,180</b>	<b>100.0</b>	<b>100.0</b>	<b>310</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014); HMDA Aggregate Data (2013)

The Bank originated 0.6 percent and 0.3 percent of loans to borrowers in low-income census tracts in 2013 and 2014, respectively. The Bank's performance was slightly less than the 1.7 percent of owner-occupied units and 1.9 percent of aggregate lending within low-income census tracts. Additionally, in 2013, the Bank's lending within low-income census tracts is slightly less than with the 1.9 percent among aggregate lending data. The Bank's 0.5 percent market share ranked 51<sup>st</sup> among 180 lenders that originated loans within low-income census tracts in 2013.

The Bank's YTD 2014 lending in low-income tracts decreased to 0.3 percent. While metropolitan boundary changes reduced the percentage of owner-occupied housing units in low-income tracts, the Bank's decrease in lending was more pronounced. Considering the minimal opportunities to make loans in these tracts due to minimal owner-occupied units, as well as the high level of competition, the Bank's performance is adequate.

The Bank made 11.6 percent and 8.7 percent of loans to borrowers in moderate-income census tracts in 2013 and 2014, respectively. The Bank's 2013 performance was less than the percentage of owner-occupied units and aggregate lending within moderate-income census tracts. The Bank's 1.2 percent market share ranked 17<sup>th</sup> among 353 lenders that originated loans within moderate-income census tracts in 2013. This rank and market share is reasonable particularly with the high level of competition.

The Bank's YTD 2014 lending in moderate-income tracts decreased to 8.7 percent which can be partially explained by metropolitan boundary changes that reduced the percentage of owner-occupied housing units in moderate-income.

#### ***Small Business Analysis:***

The geographic distribution of small business loans to businesses that operate within low- and moderate-income census tracts is poor. Table 39 summarizes the Bank's lending by tract income level.

Table 39 Geographic Distribution of Small Business Loans by Income Category of Census Tract							
Census Tract Income Level	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	3.9	3.6	0	0.0	3.1	0	0.0
Moderate	17.0	16.7	0	0.0	13.8	0	0.0
Middle	45.9	46.1	8	88.9	40.1	2	50.0
Upper	33.2	32.5	1	11.1	43.1	2	50.0
NA	0.0	1.1	0	0.0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

The Bank did not originate any small business loans within low- or moderate-income tracts in the Middlesex AA in 2013 or 2014.

### Borrower Profile

The distribution of loans reflects adequate penetration among borrowers of different income levels and businesses of different sizes.

### Home Mortgage Analysis:

The distribution of home mortgage loans reflects adequate penetration among borrowers of different income levels. Table 40 summarizes the distribution of loans by borrower income level.

Table 40 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	2013				YTD 2014		
	Total Families	Aggregate Lending Data	Bank Lending Data		Total Families	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	21.5	6.1	33	2.8	19.7	6	1.9
Moderate	17.0	16.2	173	14.7	15.7	45	14.5
Middle	21.8	24.2	312	26.4	20.8	77	24.8
Upper	39.7	42.1	542	45.9	43.9	182	58.7
N/A	0.0	11.4	120	10.2	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>1180</b>	<b>100.0</b>	<b>100.0</b>	<b>310</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014); HMDA Aggregate Data (2013)

The Bank originated 33 home mortgage loans to low-income borrowers in 2013 (2.8 percent) and 6 in 2014 (1.9 percent). The Bank's lending to low-income borrowers was less than aggregate lending (6.1 percent) and the percentage of low-income families (21.5 percent) in 2013. The Bank's 0.7 percent market share ranked 35<sup>th</sup> among the 263 lenders that originated loans to low-income borrowers in 2013. Many of the area's low-income borrowers reside in highly competitive areas

just outside the City of Boston. Considering the significant level of competition in this area, the Bank's performance was adequate.

The Bank originated 173 home mortgage loans to moderate-income borrowers in 2013 (14.7 percent) and 45 in 2014 (14.5 percent). The Bank's lending to moderate-income borrowers was slightly less than aggregate lending (16.2 percent) and the percentage of moderate-income families (17.0 percent) in 2013. The Bank's 1.4 percent market share ranked 17<sup>th</sup> among the 336 lenders that originated loans to moderate-income borrowers in 2013. In YTD 2014, the Bank's lending performance was slightly less than the percentage of moderate-income families (15.7 percent).

### ***Small Business Analysis:***

The distribution of small business loans to businesses with gross annual revenues of \$1 million or less is poor. Table 41 reflects Bank lending by business revenue category.

<b>Table 41</b>							
<b>Distribution of Small Business Loans by Gross Annual Revenues</b>							
<b>Gross Annual Revenues</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending</b>		<b>Total Businesses</b>	<b>Bank Lending</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1 Million</b>	<b>71.9</b>	<b>48.3</b>	1	11.1	<b>71.1</b>	2	50.0
<b>&gt; \$1 Million/NA</b>	<b>28.1</b>	<b>51.7</b>	8	88.9	<b>28.9</b>	2	50.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

As shown in Table 41, the volume of small business lending within the Middlesex AA was limited. The Bank's percentage of loans to businesses with a gross annual revenue less than or equal to \$1 million in 2013 (11.1 percent) was significantly less than aggregate lending (48.3 percent) and the percentage of businesses with gross annual revenues of \$1 million or less (71.9 percent). Of the nine loans to businesses with gross annual revenue above \$1 million, one of these was to a business for which revenue information was unknown. The Bank's performance increased in YTD 2014, but this was based on a very low number of loans.

### **Community Development Lending**

Berkshire Bank did not originate any community development loans within the Middlesex AA, which reflects a low level of community development lending. Since the loan production office focuses on HMDA lending, these loans would not be eligible for community development loan credit. Additionally, the Bank provided loans to a corporation located in Middlesex County that originates economic development loans statewide.

### **Innovative and Flexible Lending**

The Bank makes use of innovative or flexible lending practices in order to meet credit needs in the area. With the exception of certain state-specific loan programs outside of Massachusetts, the Bank offers the majority of its innovative and flexible products throughout this assessment area, as outlined in this section of the Combined AA.

## **INVESTMENT TEST**

Berkshire Bank has a poor level of qualified investments within this assessment area, reflecting poor responsiveness to community development needs. The Bank does not use innovative or complex initiatives in this area. Qualified activity consists of \$13,825 in donations. While the Bank has only one branch and limited deposits in the area, the level of investments is less than adequate considering the Bank's capacity and qualified investment opportunities in the Middlesex AA.

## **SERVICE TEST**

Berkshire Bank has only one full-service branch in this area, so it is difficult to make conclusions regarding the accessibility of retail banking services. Considering the Bank's limited retail banking operations in the area, services are accessible to limited portions of the area. Table 42 illustrates the distribution of assessment area tracts, population, and the Bank's branches and ATMs by tract income level.

<b>Table 42</b>							
<b>Branch and ATM Distribution with Demographic Data – Middlesex AA</b>							
<b>Census Tract Income Level</b>	<b>Number of Tracts</b>	<b>Percent of Tracts</b>	<b>Percent of Population (%)</b>	<b>Branches/Main Office</b>		<b>ATMs</b>	
				<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	12	3.8	3.1	0	0.0	0	0.0
Moderate	64	20.1	19.0	0	0.0	0	0.0
Middle	127	39.9	41.9	1	100.0	0	0.0
Upper	114	35.9	36.0	0	0.0	0	0.0
N/A	1	0.3	0.0	0	0.0	0	0.0
<b>Total</b>	<b>318</b>	<b>100.0</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>100.0</b>

*Source: U.S. Census (2010); Bank and FDIC records*

The Bank opened the branch in the assessment area during the evaluation period in 2012. The office is located in a middle-income census tract. The days and hours of operation of the Bank's branch office are similar to those of other banks operating within this assessment area. The full-service branch location offers extended hours during the week.

The Bank provides a low level of community development services within the assessment area. While the Bank has a limited retail banking presence, sufficient resources exist to provide qualified services in the area, particularly those that support affordable housing and homebuyer education.

## **STATE OF NEW YORK**

<b><i>CRA RATING FOR NEW YORK:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Lending Test is rated:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Investment Test is rated:</i></b>	<b><u><i>High Satisfactory</i></u></b>
<b><i>The Service Test is rated:</i></b>	<b><u><i>High Satisfactory</i></u></b>

The Bank's CRA performance in the State of New York is similar to its overall performance. A majority of the Bank's branches and a significant portion of the Bank's lending activities are in New York; therefore, performance in this state received the second greatest weight when arriving at overall conclusions and ratings.

Several factors influenced the weight assigned to each assessment area performance when arriving at New York ratings and conclusions, including branch, deposit, and lending distribution. Most of the Bank's activities in New York occurred in the Albany AA, Oneida AA, and Syracuse AA. The Albany AA received the greatest weight since it had the highest share of Bank branches and total lending in the state, as well as a significant share of deposits. The Oneida AA received the next greatest weight since it had the highest share of deposits and a significant share of total lending. The Syracuse AA has the highest share of home mortgage loans, a fair share of deposits, and a relatively small share of branches and small business loans. The Glens Falls AA and two Non-MSA AAs received minimal weight due to limited Bank branches, deposits, and lending activity in these areas.

### **Lending Test**

Given the institution's performance context in the State of New York, lending levels reflect adequate responsiveness to the credit needs of the area. The geographic distribution of loans reflects adequate dispersion throughout the area. The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes. Berkshire Bank was a leader in community development lending activity, particularly in the Albany AA. The Bank makes limited use of innovative and flexible lending products.

### **Investment Test**

Berkshire Bank has a significant level of qualified investments and grants, particularly those that are not routinely provided by private investors, occasionally in a leadership position. Approximately 27.7 percent of qualified equity investments benefitted New York assessment areas, representing \$6.7 million. Qualified investments demonstrate good responsiveness to community development needs considering the Bank's recent expansion into this market. The Bank occasionally uses innovative or complex initiatives.

### **Service Test**

In addition to branch locations, the Bank offers alternative delivery systems that are reasonably accessible to essentially all portions of the rated state area. The Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals or geographies. The Bank's business hours are consistent with those of other financial institutions in this area and do not vary in a way that inconveniences

portions of the state area. The Bank provides a relatively high level of community development services throughout the New York area.

## **SCOPE OF EXAMINATION**

A full-scope review was performed to evaluate and rate the Bank's CRA performance in New York in accordance with the requirements of IBBEA. The products and timeframes noted in the scope section for the Combined AA are applicable to this state-level analysis, with the exception that only loans, investments and services in New York State are considered.

As noted earlier, the Bank designated six assessment areas in New York in 2014, which will be the focus of this section of the evaluation. Of these six AAs, the Albany AA, Oneida AA, and Syracuse AA were subject to full-scope reviews. The remaining three AAs, the Glens Falls AA, NY1 AA, and NY2 AA, were subject to limited-scope reviews. Please refer to Tables 5 and 6 for detail concerning the distribution of loans and branches in the New York portion of the Combined AA.

To evaluate the Bank's Lending Test performance in New York, examiners reviewed the Bank's HMDA and CRA data for 2013 and YTD 2014. The review also included the community development lending, innovative and flexible lending products, and investment and service activities from September 25, 2012, through January 20, 2015. All demographic data referenced below is from the 2010 U.S. Census and 2013 and 2014 D&B data.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK**

The Bank maintained six assessment areas in New York in 2014 as noted above. However, two of these assessment areas, NY1 AA and NY2 AA, resulted from the purchase of multiple Bank of America retail bank branches in 2014. Therefore, the review for 2013 only includes four assessment areas. In this section of the evaluation, the six assessment areas will be collectively referred to as the NY AAs. A description of the cities and towns included within these NY AAs is in subsequent sections of the performance evaluation. The Bank operates 46 of its 91 full-service branches in the NY AAs.

Table 43 shows the demographics of the NY AAs for 2013.



<b>Table 43 - Demographic Information for New York AAs (2013)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	428	13.1	16.8	42.1	26.2
Population by Geography	1,558,783	10.7	14.5	44.2	30.0
Owner-Occupied Housing by Geography	406,730	4.3	10.8	50.0	34.9
Businesses by Geography	112,860	10.2	14.3	45.1	30.2
Family Distribution by Income Level	383,410	20.6	17.0	21.4	41.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	144,196	16.8	21.1	44.2	17.9
FFIEC Adjusted MFI		\$70,904	<b>Unemployment Rate*:</b>		<b>6.3%</b>
Families Below Poverty Level		8.2%			6.0%
Median Housing Value		\$155,384			8.1%
					6.8%
					6.4%

Source: 2010 U.S. Census data & 2013 FFIEC updated MFI data \*The table does not include the NY1 AA & NY2 AA added in 2014.

As shown in Table 43, there were 406,730 owner-occupied units within the NY AAs in 2013. Of these, 4.3 percent and 10.8 percent were within low- and moderate-income census tracts, respectively. This reduces the Bank's opportunity to originate loans secured by one-to-four family residential properties in low- and moderate-income census tracts.

Approximately 69.9 percent of businesses within the NY AAs had gross annual revenues less than or equal to \$1 million. Of total businesses, 10.2 percent and 14.3 percent operate in low- and moderate-income census tracts, reflecting increased opportunity for small business loans in these tracts relative to home mortgage loans.

As of 2013, the median age of housing stock in the NY AAs is 51 years. Low- and moderate-income tracts have a median housing stock of 68 and 63, respectively. An older housing stock reflects increased need for home improvement loans.

Table 44 reflects demographic information in the NY AAs for 2014.

<b>Table 44 - Demographic Information for New York AAs (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	495	11.9	16.2	43.6	26.5
Population by Geography	1,800,448	9.7	13.7	46.0	29.9
Owner-Occupied Housing by Geography	472,887	3.9	10.0	51.2	34.9
Businesses by Geography	114,336	9.1	13.7	47.0	30.0
Family Distribution by Income Level	446,206	20.4	17.1	21.1	41.4
Distribution of Low- and Moderate- Income Families throughout AA Geographies	167,267	15.2	20.0	46.4	18.3
FFIEC Adjusted MFI		\$65,531	<b>Unemployment Rate:</b>		<b>6.4%</b>
Families Below Poverty Level		8.4%			6.0%
Median Housing Value		\$166,057			7.4%
					13.3%
					10.4%
					6.8%
					6.4%

*Source: 2010 U.S. Census data and 2014 FFIEC updated MFI data*

As previously stated, the Bank's NY AAs changed during the evaluation period. However, the demographics of the NY AAs did not materially change. Median housing prices increased by 6.9 percent from 2013 to 2014, while the MFI decreased by 7.6 percent. Therefore, it would be increasingly difficult for low- and moderate-income families to afford a home mortgage in 2014.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK**

### **LENDING TEST**

#### **Lending Activity**

The Bank's home mortgage and small business lending activity reflect adequate responsiveness to the credit needs of the NY AAs during the evaluation period.

During the evaluation period, the Bank originated 10.8 percent of home mortgage loans within the NY AAs. This relatively low ratio can be explained by the high volume of home mortgage loans originated from the loan production office in Massachusetts. Among the 310 lenders that originated home mortgage loans in 2013 within the NY AAs, Berkshire Bank ranked 26<sup>th</sup> with a market share of 0.8 percent. The top three lenders in the area in 2013 were Wells Fargo Bank (10.8 percent), SEFCU Services LLC (5.8 percent), and Homestead Funding Corporation (5.5 percent).

The Bank also originated 33.4 percent of small business loans within the NY AAs during the evaluation period. This ratio corresponds to the ratio of Bank branches and deposits in the NY AAs. Among the 86 lenders that originated small business loans in 2013 within this area, the Bank ranked 22<sup>nd</sup> with a market share of 0.9 percent. The top three lenders were American Express (17.5 percent), GE Capital Retail Bank, (8.8 percent), and Capital One Bank (8.2 percent). Most top lenders offer small business credit card loans, a product that the Bank does not offer.

As noted previously in Table 5, 16.4 percent of home mortgage lending from the Combined AA in 2013 occurred in the NY AAs. This ratio trails both the percentage of branches and deposits in the NY AAs due to the high lending volume from the loan production office in Massachusetts and the Bank's recent expansion in the NY AAs. The ratio of Combined AA home mortgage loans in the NY AAs increased to 31.0 percent in YTD 2014. The percentage of small business loans in the NY AAs was similar to the distribution of branches in this area.

## Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the NY AAs. The following sections discuss the Bank's performance regarding home mortgage and small business lending by census tracts income level.

### *Home Mortgage Analysis:*

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the NY AAs. Table 45 summarizes the distribution of loans by tract income level.

<b>Table 45</b>							
<b>Geographic Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Owner-Occupied Housing Units</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Owner-Occupied Housing Units</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>4.3</b>	<b>2.5</b>	7	1.9	<b>3.9</b>	9	3.5
Moderate	<b>10.8</b>	<b>8.9</b>	36	9.8	<b>10.0</b>	30	11.7
Middle	<b>50.0</b>	<b>49.9</b>	154	42.0	<b>51.2</b>	118	46.1
Upper	<b>35.0</b>	<b>38.7</b>	170	46.3	<b>34.9</b>	99	38.7
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>367</b>	<b>100.0</b>	<b>100.0</b>	<b>256</b>	<b>100.0</b>

*Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)*

The Bank made 1.9 percent and 3.5 percent of loans to borrowers in low-income census tracts in 2013 and 2014, respectively. The Bank's performance is less than the 4.3 percent of owner-occupied units and slightly less than the 2.5 percent of aggregate lending. The Bank's 0.6 percent market share ranked 29<sup>th</sup> among the 90 lenders that originated loans within low-income census tracts. Wells Fargo (14.1 percent market share) ranked first in loans to low-income census tracts within the area and New York-based large financial institutions First Niagara Bank (5.9 percent), M&T Bank (4.6 percent), and Trustco Bank (4.3 percent), ranked 3<sup>rd</sup>, 6<sup>th</sup> and 7<sup>th</sup>, respectively. In YTD 2014, the Bank's lending in low-income census tracts was consistent with the percentage of owner-occupied units in low-income census tracts (3.9 percent), reflecting an increase from 2013.

The Bank made 9.8 percent and 11.7 percent of loans to borrowers in moderate-income census tracts in 2013 and 2014, respectively. The Bank's performance was less than the 10.8 percent of owner-occupied units, but greater than the 8.9 percent of aggregate lending data. The Bank's 0.7 percent market share ranked 25<sup>th</sup> among the 153 lenders that originated loans within moderate-income census tracts. Wells Fargo Bank (13.5 percent market share) ranked 1<sup>st</sup>, and New York-based large financial institutions M&T Bank (4.4 percent), Trustco Bank (3.4 percent), and First

Niagara Bank (2.2 percent), ranked 5<sup>th</sup>, 9<sup>th</sup>, and 13<sup>th</sup> respectively. In YTD 2014, the Bank's lending performance in moderate-income census tracts increased, exceeding the percentage of owner-occupied units in these tracts (10.0 percent).

### ***Small Business Analysis:***

The distribution of small business loans reflects adequate dispersion throughout the NY AAs. Table 46 summarizes the distribution of loans by tract income level.

<b>Table 46</b>							
<b>Distribution of Small Business Loans by Census Tract Income Category</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Businesses</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>10.2</b>	<b>8.7</b>	13	7.4	<b>9.1</b>	18	8.1
Moderate	<b>14.3</b>	<b>11.9</b>	20	11.4	<b>13.7</b>	34	15.2
Middle	<b>45.1</b>	<b>46.7</b>	98	55.7	<b>47.0</b>	103	46.2
Upper	<b>30.2</b>	<b>30.4</b>	45	25.6	<b>30.0</b>	68	30.5
NA	<b>0.2</b>	<b>2.3</b>	0	0.0	<b>0.2</b>	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>100.0</b>	<b>223</b>	<b>100.0</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

As shown in Table 46, the Bank originated and purchased 13 loans to businesses in low-income census tracts in 2013 (7.4 percent) and 18 in 2014 (8.1 percent). The Bank's lending performance in 2013 slightly trailed aggregate lending (8.7 percent) and was below the 10.2 percent of businesses in low-income census tracts. Both the number and percentage of loans in low-income tracts increased in YTD 2014.

The Bank originated and purchased 20 loans to businesses in moderate-income census tracts in 2013 (11.4 percent) and 24 in 2014 (15.2 percent). The Bank's lending in moderate-income census in 2013 was similar to aggregate lending data (11.9 percent) and the percentage of businesses (14.3 percent). The Bank's lending in moderate-income census tracts increased in YTD 2014 despite a decrease in the percentage of businesses in these tracts.

### **Borrower Profile**

The distribution of loans reflects adequate penetration among borrowers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of loans reflects adequate penetration among borrowers of different income levels. Table 47 summarizes the distribution of loans by borrower income level.

Table 47 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	2013				YTD 2014		
	Total Families	Aggregate Lending Data	Bank Lending Data		Total Families	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	20.6	6.7	21	5.7	20.4	14	5.5
Moderate	17.0	20.3	66	18.0	17.1	51	19.9
Middle	21.4	23.9	102	27.8	21.1	62	24.2
Upper	41.0	36.2	157	42.8	41.4	117	45.7
N/A	0.0	12.9	21	5.7	0.0	12	4.7
Total	100.0	100.0	367	100.0	100.0	256	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

In 2013, the Bank's lending to low-income borrowers was slightly less than aggregate lending (6.7 percent) and substantially less than the percentage of low-income families (20.3 percent). The primary reason for the demographic difference is that 40.0 percent of low-income families are below the poverty level in the NY AAs. The Bank's 0.7 percent market share ranked 32<sup>nd</sup> among the 137 lenders that originated loans to low-income borrowers in 2013. Wells Fargo Bank (13.3 percent market share) ranked 1<sup>st</sup> and New York-based large financial institutions Trustco Bank (5.6 percent), M&T Bank (4.0 percent), and First Niagara Bank (1.9 percent), ranked 4<sup>th</sup>, 8<sup>th</sup>, and 14<sup>th</sup>, respectively. In YTD 2014, the Bank's lending performance to low-income families decreased by number, but was similar by percentage.

The Bank's lending to moderate-income borrowers was slightly less than aggregate lending data in 2013 (20.3 percent), but greater than the percentage of moderate-income families within the NY AAs (17.7 percent). The Bank's 0.7 percent market share ranked 27<sup>th</sup> among the 185 lenders that originated loans to moderate-income borrowers in 2013. Wells Fargo Bank (11.5 percent market share) again ranked 1<sup>st</sup> and New York-based large financial institutions M&T Bank (4.2 percent), Trustco Bank (2.7 percent), and First Niagara Bank (2.3 percent), ranked 5<sup>th</sup>, 9<sup>th</sup>, and 13<sup>th</sup>, respectively. In 2014, the Bank's lending performance to moderate-income families increased by percentage and was greater than the percentage of moderate-income families in the NY AAs (17.1 percent).

### ***Small Business Analysis:***

The distribution of small business loans reflects adequate penetration among businesses of different sizes. Table 48 summarizes the distribution of loans by business revenue category.

Table 48 Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	71.2	41.3	59	33.5	70.9	147	65.9
> \$1 Million/NA	28.8	58.7	117	66.5	29.1	76	34.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>100.0</b>	<b>223</b>	<b>100.0</b>

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 48, the Bank's percentage of loans to businesses with gross annual revenue less than or equal to \$1 million in 2013 (33.5 percent) was less than aggregate lending data (41.3 percent). Bank lending in YTD 2014 was much more concentrated in loans to businesses with revenues less than or equal to \$1 million (65.9 percent). The increase is attributed to the Bank's collecting revenue information for a much higher portion of borrowers in 2014. The Bank's lower performance in 2013 was primarily based on the high number of businesses for which it did not collect revenue information.

### Community Development Lending

Berkshire Bank was a leader in community development lending by originating 11 community development loans for approximately \$33.6 million in this area. These totals represent 55.0 percent by number and 78.3 percent by dollar amount of total community development loans. This performance is excellent. Community development loans were heavily concentrated in the Albany AA. While the Bank's performance varied among the NY AAs, the level and responsiveness of community development lending in the Albany AA was strong enough to reflect the Bank as a leader.

### Innovative or Flexible Lending

The Bank makes limited use of innovative or flexible lending practices in order to meet credit needs in the rated area. With the exception of state-specific loan programs, the Bank offers the majority of its innovative and flexible products throughout the New York area, as outlined in this section of the Combined AA.

### INVESTMENT TEST

Berkshire Bank's Investment Test performance in the New York area is rated High Satisfactory. The Bank's investments included tax credit, equity investments for qualified projects as well as bonds and statewide securities. Of the \$24.2 million in qualified investments purchased and held during the review period, the New York area received \$6.7 million in equity or debt security investments, approximately 27.7 percent of the total. Additionally, qualified grants within the area totaled \$314,671, approximately 20.1 percent of total donations. Qualified investments reflect good responsiveness to the rated area, and the Bank made occasional use of innovative or complex initiatives. The Investment Test section for the Combined AA provides details regarding qualified investments and donations.

## **SERVICE TEST**

Berkshire Bank's performance in the Service Test for New York is rated High Satisfactory. Retail banking services are reasonably accessible to essentially all segments of the state area. While only one branch is located in a low-income census tract, a number of branches in middle-income census tracts are near a low-income area. Table 49 illustrates the distribution of census tracts, population, and the Bank's branches and ATMs by tract income level within this area.

<b>Table 49</b> <b>Branch and ATM Distribution – New York</b>							
Census Tract Income Level	Number of Tracts	Percent of Tracts	Percent of Population (%)	Branches/Main Office		ATMs	
				#	%	#	%
Low	59	11.9	9.7	1	0.2	3	14.3
Moderate	80	16.2	13.7	7	15.2	3	14.3
Middle	216	43.6	46.0	23	50.0	8	38.1
Upper	131	26.5	30.0	14	30.4	3	14.3
N/A	9	1.8	0.6	1	0.2	4	19.0
<b>Total</b>	<b>495</b>	<b>100.0</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>

*Source: U.S. Census (2010); Bank and FDIC records*

The Bank opened 25 of the current branches within the NY AAs during the evaluation period. The Bank closed two branches and acquired two additional branches that it never opened. The opening and closing of branches increased the Bank's presence within moderate-income census tracts; 5 branches opened in moderate-income tracts, 13 in middle-income tracts, 6 in upper-income tracts, and 1 branch opened in a tract with no income designation. The Bank acquired most of these branches. Closed branches were located in an upper-income tract and a moderate-income tract within this area. The days and hours of operation of the Bank's branch offices are consistent with other banks operating within the rated area and do not vary in a way that inconveniences portions of the area..

The Bank provides a relatively high level of community development services, as listed in this section of the Combined AA. The Bank supports organizations through employee involvement, educational initiatives, and other services that respond to community development needs in New York.

### **ALBANY-SCHENECTADY-TROY, NY METROPOLITAN STATISTICAL AREA**

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN *ALBANY-SCHENECTADY-TROY, NY METROPOLITAN STATISTICAL AREA***

The Albany AA includes the Albany County communities of Albany, Bethlehem, Coeymans, Cohoes, Colonie, Green Island, Guilderland, New Scotland, and Watervliet; the Rensselaer County communities of East Greenbush, Nassau, Poestenkill, Rensselaer, Sand Lake, Schodack, Stephentown, Troy, two of the three census tracts in Brunswick (0520.03 and 0520.04), and one of the two census tracts in Schaghticoke (0519.02); the Saratoga County communities of Ballston, Charlton, Clifton Park, Galway, Greenfield, Halfmoon, Malta, Mechanicville, Milton, Northumberland, Providence, Saratoga, Saratoga Springs, Stillwater, Waterford, and Wilton; and

the Schenectady County communities of Glensville, Niskayuna, Rotterdam, and Schenectady. All these communities are within the Albany-Schenectady-Troy, NY MSA.

The Albany AA comprises 189 census tracts as of the evaluation date. Of these, 24 (12.7 percent) are low-income, 29 (15.3 percent) are moderate-income, 89 (47.1 percent) are middle-income, 46 (24.3 percent) are upper-income, and 1 (0.5 percent) has no income designation.

The Bank operates 18 offices within the Albany AA that are located in Albany (3), Clifton Park, Colonie, Delmar, East Greenbush, Glenville, Halfmoon, Latham (2), Loudonville, Niskayuna, North Greenbush, Rotterdam, Slingerlands, Saratoga Springs, and Schenectady. During the evaluation period, the Bank opened four new offices and closed seven offices within the Albany AA. As of 2014, the 18 branches in the Albany AA comprise 19.8 percent of the Bank's branches.

As of 2013, the Bank's Albany AA contained 197 census tracts, which represents 16.7 percent of the Combined AA. In 2014, the Bank removed eight census tracts in the Albany AA to include only the census tracts in which the Bank primarily lends. Due to the expansion of other assessment areas in 2014, the Albany AA, which now comprises 189 census tracts, represents 13.8 percent of the Combined AA. Table 50 summarizes demographic information for the Albany AA in 2013.

<b>Table 50</b>					
<b>Demographic Information for Albany Assessment Area (2013)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	197	12.2	16.2	47.2	23.9
Population by Geography	793,663	10.6	14.0	47.9	27.3
Owner-Occupied Housing by Geography	204,965	4.9	10.5	53.6	31.0
Businesses by Geography	411,523	8.0	14.6	42.8	34.6
Family Distribution by Income Level	193,178	20.3	17.7	21.5	40.5
Distribution of Low- and Moderate- Income Families throughout AA Geographies	73,444	16.9	20.6	46.1	16.4
FFIEC Adjusted MFI		\$77,700	Median Housing Value		\$206,910
Families Below Poverty Level		6.6%			

*Source: 2010 U.S. Census data and 2013 FFIEC updated MFI data*

Upper-income families represent the highest share of total families by a significant margin, followed by middle-income families. Among low-income families within the Albany AA, 32.5 percent have incomes below the poverty level. Since these families may have difficulty obtaining a home purchase loan, this reduces opportunities to make loans to low-income borrowers.

As of 2013, the median age of housing stock in the Albany AA is 50. Low- and moderate-income tracts have a median housing stock of 70 and 63, respectively. Therefore, there is increased need for home improvement loans within these census tracts.



Table 51 summarizes demographic information for the Albany AA in 2014.

<b>Table 51</b>					
<b>Demographic Information for Albany Assessment Area (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	189	12.7	15.3	47.1	24.3
Population by Geography	769,821	10.9	13.0	47.9	27.9
Owner-Occupied Housing by Geography	197,482	5.1	9.2	53.8	32.0
Businesses by Geography	50,986	8.3	15.2	47.8	28.8
Family Distribution by Income Level	186,708	20.3	17.5	21.5	40.8
Distribution of Low- and Moderate- Income Families throughout AA Geographies	70,539	17.6	19.3	46.2	17.0
FFIEC Adjusted MFI		\$74,739	Median Housing Value		
Families Below Poverty Level		6.6%			\$208,595

*Source: 2010 U.S. Census data and 2014 FFIEC updated MFI data*

Median housing prices increased by 0.8 percent from 2013 to 2014, while the MFI decreased by 4.1 percent during the same period. Therefore, it would be increasingly difficult for low- and moderate-income families to afford a home mortgage in 2014.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ALBANY-SCHENECTADY-TROY, NY METROPOLITAN STATISTICAL AREA**

### **LENDING TEST**

#### **Lending Activity**

The Bank's home mortgage and small business lending activity reflects adequate responsiveness to the credit needs of the Albany AA during the evaluation period.

During the evaluation period, the Bank originated 2.6 percent of home mortgage loans within the Albany AA. Among the 138 lenders that originated home mortgage loans in 2013 in this area, Berkshire Bank ranked 37<sup>th</sup> with a market share of 0.5 percent. The top three lenders in the area in 2013 were Wells Fargo Bank (11.2 percent) Homestead Funding Corporation (9.7 percent) and SEFCU Services LLC (9.3 percent).

The Bank originated 15.9 percent of small business loans within the Albany AA during the evaluation period. Among the 64 lenders that originated small business loans in 2013 within the Albany AA, Berkshire Bank ranked 23<sup>rd</sup> with a market share of 1.0 percent. The top three lenders in the area in 2013 were American Express (19.3 percent), Capital One Bank, (8.3 percent), and GE Capital Retail Bank (7.9 percent). Most top lenders in the area offer small business credit card loans, a product that Berkshire Bank does not offer.

As noted previously in Table 5, 5.1 percent of home mortgage lending from the Combined AA in 2013 occurred in the Albany AA. This ratio trails both the percentage of branches and deposits in the Albany AA due to the high lending volume from the loan production office in Massachusetts. The ratio of Combined AA home mortgage loans in the Albany AA remained

steady at 4.7 percent in YTD 2014. The percentage of small business loans in the Albany AA was similar to the distribution of branches in this area.

## Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the Albany AA. The following sections discuss the Bank's performance regarding home mortgage loan and small business loan dispersion throughout low- and moderate-income census tracts.

### *Home Mortgage Analysis:*

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the Albany AA. Table 52 reflects the distribution of loans by tract income level.

Table 52 Distribution of Home Mortgage Loans by Census Tract Income Category							
Census Tract Income Level	2013				YTD 2014		
	Total Owner-Occupied Housing Units	Aggregate Lending Data	Bank Lending Data		Total Owner-Occupied Housing Units	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	4.9	3.0	7	6.1	5.1	3	7.7
Moderate	10.5	8.8	12	10.5	9.2	2	5.1
Middle	53.6	53.4	46	40.4	53.8	20	51.3
Upper	31.0	34.9	49	43.0	32.0	14	35.9
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>114</b>	<b>100.0</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>

*Source: US Census (2010), HMDA LAR (2013 & 2014), and Aggregate Data (2013)*

As shown in Table 52, among the home mortgage loans originated within the Albany AA, 6.1 percent and 7.7 percent of loans were to borrowers in low-income census tracts in 2013 and 2014, respectively. The Bank's 2013 performance was greater than the percentage of owner-occupied units and aggregate lending within low-income census tracts. The Bank's 0.6 percent market share ranked 34<sup>th</sup> among the 105 lenders that originated loans within low-income census tracts. Wells Fargo (15.4 percent market share) ranked first in loans to low-income census tracts within the area. In YTD 2014, the Bank increased its percentage of loans in low-income census tracts, again exceeding the percentage of owner-occupied units within low-income census tracts.

The Bank made 10.5 percent and 5.1 percent of loans to borrowers in moderate-income census tracts in 2013 and 2014, respectively. The Bank's performance was consistent with the 10.5 percent of owner-occupied units within moderate-income census tracts and exceeded the 8.8 percent of aggregate lending data. The Bank's 1.0 percent market share ranked 20<sup>th</sup> among the 74 lenders that originated loans within moderate-income census tracts. Wells Fargo (13.8 percent market share) again ranked first in loans to moderate-income census tracts within the area. In YTD 2014, the Bank's lending performance decreased in moderate-income tracts, trailing the percentage of owner-occupied units in these tracts.

### ***Small Business Analysis:***

The geographic distribution of the Bank's small business loans reflects adequate dispersion throughout the Albany AA.

<b>Table 53</b>							
<b>Distribution of Small Business Loans by Census Tract Income Category</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Businesses</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	8.2	6.8	9	8.0	8.3	10	12.8
Moderate	15.8	11.7	11	9.8	15.2	15	19.2
Middle	47.2	50.7	61	54.5	47.8	26	33.3
Upper	28.8	28.8	31	27.7	28.7	27	34.6
NA	0.0	2.0	0	0.0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>112</b>	<b>100.0</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

The Bank originated nine small business loans to businesses in low-income census tracts in 2013 (8.0 percent) and ten in 2014 (12.8 percent). In 2013, the Bank's lending in low-income census tracts was greater than aggregate lending data and consistent with the percentage of businesses in low-income census tracts. In YTD 2014, the Bank increased lending to low-income census tracts, exceeding the percentage of businesses in these tracts.

The Bank originated 11 small business loans in moderate-income census tracts in 2013 (9.8 percent) and 15 in 2014 (19.2 percent). In 2013, the Bank's lending in moderate-income census tracts was less than aggregate lending data (11.7 percent) and the percentage of businesses in moderate-income census tracts (15.8 percent). However, in 2014, the Bank's lending to businesses in moderate-income census tracts (19.2 percent) exceeded the percentage of businesses in these tracts.

### **Borrower Profile**

The distribution of loans within the Albany AA reflects poor penetration among borrowers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of loans reflects poor penetration among borrowers of different income levels. Table 54 reflects the distribution of home mortgage loans by borrower income level.

Table 54 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	2013				YTD 2014		
	Total Families	Aggregate Lending Data	Bank Lending Data		Total Families	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	20.3	5.9	1	0.9	20.3	1	2.6
Moderate	17.7	20.7	14	12.3	17.5	6	15.4
Middle	21.5	24.5	28	24.6	21.5	5	12.8
Upper	40.5	35.1	55	48.2	40.7	20	51.3
N/A	0.0	13.7	16	14.0	0.0	7	17.9
Total	100.0	100.0	114	100.0	100.0	39	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

The Bank originated one home mortgage loan to a low-income borrower in 2013 (0.9 percent) and one in 2014 (2.6 percent). The Bank's lending to low-income borrowers was well below aggregate lending data in 2013. Additionally, this was substantially less than the percentage of low-income families (20.3 percent) within the Albany AA. The Bank's 0.1 percent market share ranked 84<sup>th</sup> among the 91 lenders that originated loans to low-income borrowers in 2013. Wells Fargo Bank (13.3 percent market share) ranked first in loans to low-income borrowers within the area. In YTD 2014, the Bank's lending performance to low-income borrowers was again less than the percentage of low-income families within the Albany AA (20.3 percent).

The Bank originated 14 home mortgage loans to moderate-income borrowers in 2013 (12.3 percent) and six in 2014 (15.4 percent). The Bank's lending to moderate-income borrowers was less than aggregate lending data in 2013. This was also slightly less than the percentage of moderate-income families within the Albany AA (17.7 percent). The Bank's 0.3 percent market share ranked 43<sup>rd</sup> among the 138 lenders that originated loans to moderate-income borrowers in 2013. Wells Fargo Bank (12.9 percent market share) ranked first in loans to moderate-income borrowers within the area. In YTD 2014, the Bank's lending performance to moderate-income borrowers was again less than the percentage of moderate-income families within the Albany AA (17.5 percent).

### Small Business Analysis

The distribution of loans to businesses with gross annual revenues of \$1 million or less is adequate. Table 55 summarizes the distribution of loans by borrower revenue category.

Table 55 Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	70.3	43.7	32	28.6	70.2	44	56.4
> \$1 Million/NA	29.7	56.3	80	71.4	29.8	34	43.6
Total	100.0	100.0	112	100.0	100.0	78	100.0

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 55, the Bank's percentage of loans to businesses with gross annual revenues less than or equal to \$1 million in 2013 (28.6 percent) was significantly less than aggregate lending data (56.3 percent). The Bank's low performance in 2013 was primarily based on the number of borrowers for which it did not collect revenue information. Of the 80 loans to businesses with gross annual revenue over \$1 million, 61 (54.5 percent) of these were to businesses that the revenue was unknown.

The Bank increased its percentage of loans to businesses with gross annual revenues less than or equal to \$1 million in YTD 2014 (56.4 percent), but still trailed the percentage of businesses in this category (70.2 percent). The increase is attributed to the Bank's collecting revenue information for a much higher portion of borrowers in 2014.

### **Community Development Lending**

During the evaluation period, Berkshire Bank originated four community development loans for approximately \$27.1 million in this assessment area. This performance is excellent and reflects the Bank's leadership position in several of these projects. In addition, the Bank provided loans to a corporation that originates qualifying economic development loans statewide. Distribution of approximately \$960,750 in loans throughout the assessment area resulted from the Bank's lending to this economic development corporation. This section of the Combined AA provides details on community development loans originated in the Albany AA.

### **Innovative and Flexible Lending**

The Bank makes limited use of innovative or flexible lending practices in order to meet credit needs in this area. With the exception of state-specific loan programs, the Bank offers the majority of its innovative and flexible products throughout this assessment area, as outlined in the Combined AA conclusions section.

### **INVESTMENT TEST**

Berkshire Bank had an excellent level of qualified investments within this assessment area, particularly those that are not routinely provided by private investors, occasionally in a leadership position. The Bank's investments in the area consisted primarily of a substantial tax-credit equity investment for a qualified revitalization project totaling \$5 million. Additionally, qualified grants within the area totaled \$230,365, approximately 15.9 percent of total donations. This is proportionate to the Bank's deposits in the rated area. Qualified investments reflect good responsiveness to the area, and the Bank made use of innovative or complex initiatives within this assessment area.

### **SERVICE TEST**

Berkshire Bank has 18 (19.8 percent) of its 91 full-service branches in this area. Branches are reasonably accessible to essentially all portions of the assessment area. Table 56 illustrates the distribution of assessment area tracts, population, and the Bank's branches and ATMs by tract income level.

<b>Table 56</b> <b>Branch and ATM Distribution – Albany AA</b>							
Census Tract Income Level	Number of Tracts	Percent of Tracts	Percent of Population (%)	Branches/Main Office		ATMs	
				#	%	#	%
Low	24	12.2	10.6	1	5.6	1	33.3
Moderate	32	16.2	14.0	1	5.6	1	33.3
Middle	93	47.2	47.9	7	38.8	1	33.3
Upper	47	23.9	27.3	9	50.0	0	0.0
N/A	1	0.5	0.2	0	0.0	0	0.0
<b>Total</b>	<b>197</b>	<b>100.0</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

Source: U.S. Census (2010); Bank and FDIC records

The Bank closed one branch within this assessment area during the review period, in an upper-income census tract. The days and hours of operation of the Bank's branch offices are similar to those of other banks operating within this assessment area and do not vary in a way that inconveniences portions of the area. Each of the full-service branch locations offer extended hours during the week and are open for business on Saturday.

The Bank provides a relatively high level of community development services within the assessment area. As outlined in this section of the Combined AA, the Bank supports numerous organizations through employee involvement, educational initiatives, and other services that respond to community development needs in the Albany AA.

## UTICA-ROME NY METROPOLITAN STATISTICAL AREA

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN UTICA-ROME, NY METROPOLITAN STATISTICAL AREA

The Oneida Assessment Area (Oneida AA) is comprised of all 19 of the Herkimer County cities and towns, which include Columbia, Danube, Fairfield, Frankfort, German Flatts, Herkimer, Litchfield, Little Falls, Hanheim, Newport, Norway, Ohio, Russia, Salisbury, Schuyler, Stark, Warren, Webb, and Winfield, and all 29 of the Oneida County cities and towns, which include Annsville, Augusta, Ava, Boonville, Bridgewater, Camden, Deerfield, Florence, Floyd, Forestport, Kirkland, Lee, Marcy, Marshall, New Hartford, Paris, Remsen, Rome, Sangerfield, Sherrill, Steuben, Trenton, Utica, Vernon, Verona, Vienna, Western, Westmoreland, and Whitestown. These two counties in their entirety comprise the Utica-Rome, NY MSA.

The Oneida AA comprises 93 census tracts. Of these, eight (8.6 percent) are low-income, 15 (16.1 percent) are moderate-income, 45 (48.4 percent) are middle-income, 19 (20.4 percent) are upper-income, and six (6.5 percent) have no income designation.

The Bank operates 16 branches within the Oneida AA that are located in German Flatts, Little Falls, Marcy, New Hartford (2), Oriskany Falls, Rome (4), Utica (4), West Winfield, and Whitesboro. During the evaluation period, the Bank has opened 10 branches and closed 3 branches in the Oneida AA. New branches resulted from the purchase of Bank of America

branches in 2014. As of 2014, the 16 branches in the Oneida AA comprise 17.6 percent of the Bank's branches.

As of 2013, the Bank's Oneida AA consisted of 74 census tracts, which represents 6.3 percent of the 2013 Combined AA. In 2014, the Bank added 19 census tracts in the Oneida AA to include the census tracts in which the Bank primarily lends and account for the purchase of 11 retail branches adjacent to the Oneida AA from Bank of America. As of 2014, the Oneida AA consists of 93 census tracts, which represents 6.8 percent of the 2014 Combined AA.

<b>Table 57</b>					
<b>Demographic Information for Oneida Assessment Area (2013)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	74	9.5	18.9	37.8	25.7
Population by Geography	234,878	7.7	16.5	42.6	30.6
Owner-Occupied Housing by Geography	62,515	3.2	10.4	49.7	36.7
Business by Geography	13,757	4.8	15.4	46.2	31.8
Family Distribution by Income Level	59,553	21.1	16.1	20.9	41.9
Distribution of Low and Moderate Income Families throughout AA Geographies	22,128	13.3	24.3	44.7	17.7
FFIEC Adjusted Median Family Income		\$63,800	Median Housing Value		\$112,807
Families Below Poverty Level		10.8%			

*Source: 2010 U.S. Census data and 2013 FFIEC updated Median Family Income (MFI) data.*

Table 58 provides relevant demographic information for the Oneida AA as of 2014.

<b>Table 58</b>					
<b>Demographic Information for Oneida Assessment Area (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	93	8.6	16.1	48.4	20.4
Population by Geography	299,397	6.7	14.1	53.1	24.0
Owner-Occupied Housing by Geography	81,329	2.9	8.8	60.0	28.2
Business by Geography	15,491	4.5	13.5	55.1	25.5
Family Distribution by Income Level	76,949	21.1	17.3	21.4	40.3
Distribution of Low and Moderate Income Families throughout AA Geographies	29,502	11.5	20.0	55.2	13.3
FFIEC Adjusted Median Family Income		\$56,800	Median Housing Value		\$108,392
Families Below Poverty Level		10.3%			

*Source: 2010 U.S. Census data and 2013 FFIEC updated Median Family Income (MFI) data.*

Median housing prices decreased by 11.0 percent from 2013 to 2014 while the MFI decreased by 3.9 percent during the same period. Therefore, it would be increasingly difficult for low- and moderate-income families to afford a home mortgage in 2014.

Upper-income families represent the highest share of total families by a significant margin, followed by low-income families. Among low-income families within the Oneida AA, 51.2 percent have incomes below the poverty level. With such a high poverty rate, lenders have limited opportunities to make loans to low-income borrowers.

As of 2013, the median age of housing stock in the Oneida AA is 56 years. Low- and moderate-income tracts have a median housing stock age of 68 and 65 respectively. Therefore, there is increased need for home improvement loans within these census tracts.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *UTICA-ROME, NY METROPOLITAN STATISTICAL AREA***

### **LENDING TEST**

#### **Lending Activity**

The Bank's residential mortgage and small business lending activity reflected adequate responsiveness to the credit needs of the Oneida AA during the evaluation period.

During the evaluation period, the Bank originated 3.1 percent of home mortgages within the Oneida AA. Among the 137 lenders that originated home mortgage loans in 2013 within the Oneida AA, Berkshire Bank ranked 14<sup>th</sup> with a market share of 1.8 percent. The top three lenders in the area in 2013 were AmeriCU Credit Union (17.2 percent market share), First Source Federal Credit Union (9.3 percent), and Wells Fargo Bank (6.9 percent).

The Bank also originated 8.8 percent of small business loans within the Oneida AA during the evaluation period. Among the 39 lenders that originated small business loans in 2013 within the Oneida AA, Berkshire Bank ranked 18<sup>th</sup> with a market share of 1.3 percent. The top three lenders in the area in 2013 were American Express (15.5 percent), GE Capital Retail Bank, (10.6 percent), and US Bank (9.2 percent). However, most top lenders in the area offer small business credit card loans, a product that Berkshire Bank does not offer.

As noted previously in Table 5, 4.5 percent of home mortgage lending from the Combined AA in 2013 occurred in the Oneida AA. This ratio trails both the percentage of branches and deposits in the Oneida AA, although this is expected given that the Bank just recently expanded in this area. The Bank's overall lending increased in this area in YTD 2014, which reflects its increased presence by purchasing more branches.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout the Oneida AA. The following sections discuss the Bank's performance regarding home mortgage loan and small business loan dispersion throughout low- and moderate-income census tracts.

#### ***Home Mortgage Analysis:***

As shown in Table 59, the geographic distribution of HMDA loans reflects adequate dispersion throughout the Oneida AA.



Table 59 Distribution of Home Mortgage Loans by Census Tract Income Category							
Census Tract Income Level	2013				YTD 2014		
	Total Owner-Occupied Housing Units	Aggregate Lending Data	Bank Lending Data		Total Owner-Occupied Housing Units	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	3.2	2.2	0	0.0	2.9	3	3.7
Moderate	10.4	9.9	8	7.9	8.8	12	14.8
Middle	49.7	48.1	56	55.4	60.0	40	49.4
Upper	36.7	39.7	37	36.6	28.2	26	32.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Lending Data (2013)

As shown in Table 59, among the home mortgage loans originated within the Oneida AA, 0.0 percent and 3.7 percent of loans were to borrowers in low-income census tracts in 2013 and 2014 respectively. In 2013, the Bank's performance was less than the 3.2 percent of owner-occupied units within low-income census tracts. Additionally, in 2013, the Bank's lending within low-income census tracts was less than the 2.2 percent among aggregate lending data. Wells Fargo Bank (13.5 percent market share) ranked 1<sup>st</sup> in loans to low-income borrowers within the area. In total, 119 loans were originated within low-income census tracts in 2013 among all financial institutions reflecting minimal lending opportunities. In YTD 2014, the Bank's lending performance in low-income census tracts was greater than the percentage of owner-occupied units in low-income census tracts within the Oneida AA (2.9 percent).

Additionally, as shown in Table 59, among home mortgage loans originated within the Oneida AA, 7.9 percent and 14.8 percent were to borrowers in moderate-income census tracts in 2013 and 2014 respectively. In 2013, the Bank's performance was slightly less than the 10.4 percent of owner-occupied units and the 9.9 percent of aggregate lending in moderate-income census tracts. The Bank's 0.1 percent market share ranked 21<sup>st</sup> among 57 lenders that originated loans to moderate-income borrowers in 2013. AmeriCU Credit Union (17.6 percent market share) ranked 1<sup>st</sup> in loans to moderate-income borrowers within the area. In total, 547 loans were originated within moderate-income census tracts in 2013 among all financial institutions. The Bank's lending performance increased notably in moderate-income tracts YTD 2014, exceeding demographics.

#### ***Small Business Analysis:***

The geographic distribution of small business loans reflects adequate dispersion.

<b>Table 60</b> <b>Distribution of Small Business Loans by Census Tract Income Category</b>							
Census Tract Income Level	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	4.8	3.6	0	0.0	4.5	3	3.7
Moderate	15.4	16.3	8	22.9	13.5	12	14.8
Middle	46.2	41.3	20	57.1	55.1	40	49.4
Upper	31.8	34.0	7	20.0	25.5	26	32.1
NA	1.8	4.7	0	0.0	1.4	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

The Bank did not make any small business loans in low-income census tracts in 2013.

the 3.7 percent of Bank loans in low-income tracts in YTD 2014 was relatively similar to demographics.

The Bank originated 8 loans (22.9 percent) in 2013 and 12 (14.8 percent) in YTD 2014 in moderate-income tracts. The Bank's performance within moderate-income census tracts in 2013 was greater than the percentage of aggregate lending and the percentage of businesses in moderate-income census tracts. Bank lending in moderate-income tracts declined by percentage, but increased by number in YTD 2014, still exceeding demographics.

### **Borrower Profile**

The distribution of loans within the Oneida AA reflects adequate dispersion among borrowers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of home mortgage loans reflects adequate penetration among borrowers of different income levels.

Table 61 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	2013				YTD 2014		
	Total Families	Aggregate Lending Data	Bank Lending Data		Total Families	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	21.1	10.1	11	10.9	21.1	9	11.1
Moderate	16.1	23.0	24	23.8	17.3	19	23.5
Middle	21.0	24.6	31	30.7	21.4	22	27.2
Upper	41.9	32.3	34	33.7	40.3	29	35.8
N/A	0.0	10.0	1	1.0	0.0	2	2.5
Total	100.0	100.0	101	100.0	100.0	81	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

The Bank originated 11 home mortgage loans to low-income borrowers in 2013 (10.9 percent) and nine in YTD 2014 (11.1 percent). The Bank's lending to low-income borrowers was consistent aggregate lending data in 2013 but less than the percentage of low-income families (21.1 percent) within the Oneida AA. The Bank's 2.0 percent market share ranked 20<sup>th</sup> among the 53 lenders that originated loans to low-income borrowers in 2013. AmeriCU Credit Union (10.9 percent market share) ranked 1<sup>st</sup> in loans to low-income borrowers within the area. The Bank's performance was consistent in YTD 2014 to low-income borrowers.

The Bank's lending to moderate-income borrowers was consistent with aggregate lending data in 2013 and exceeded the percentage of moderate-income families within the Oneida AA (16.1 percent). The Bank's 1.9 percent market share ranked 18<sup>th</sup> among the 69 lenders that originated loans to moderate-income borrowers in 2013. AmeriCU Credit Union (17.8 percent market share) ranked 1<sup>st</sup> in loans to moderate-income borrowers within the area. The Bank's performance was consistent in YTD 2014 to moderate-income borrowers.

### ***Small Business Analysis:***

The distribution of small business loans reflects adequate penetration to borrowers of different sizes. Table 62 summarizes Bank lending by business revenue category.

Table 62 Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	72.2	42.6	18	51.4	71.5	61	87.1
> \$1 Million/NA	27.8	57.4	17	48.6	28.5	9	12.9
Total	100.0	100.0	35	100.0	100.0	70	100.0

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 62, the Bank's percentage of loans to businesses with a gross annual revenues less than or equal to \$1 million in 2013 (51.4 percent) was greater than aggregate lending data (42.6 percent). However, the Bank's lending is less than the percentage of businesses with gross annual revenues of \$1 million or less operating within the Oneida AA in 2013 (72.2 percent). Of the 17 loans to businesses with gross annual revenue above \$1 million, 13 (37.1 percent) of these were to businesses that the revenue was unknown.

The Bank's percentage of loans to businesses with gross annual revenue less than or equal to \$1 million in YTD 2014 (87.1 percent) was significantly greater than the percentage of businesses operating within the Oneida AA in 2014 (71.5 percent). The higher portion of borrowers for which the Bank collected revenue information caused the increase from 2013.

### **Community Development Lending**

During the evaluation period, Berkshire Bank originated no community development loans within the assessment area. This reflects a low level of community development lending. The Bank provided loans to a corporation that originates qualifying economic development loans statewide. Approximately \$120,750 in loans in this assessment area resulted from the Bank's lending to this economic development corporation.

### **Innovative and Flexible Lending**

The Bank makes limited use of innovative or flexible lending practices in order to meet credit needs in the rated area. With the exception of state-specific loan programs, the Bank offers the majority of its innovative and flexible products throughout this assessment area, as outlined in the Combined AA section.

## **INVESTMENT TEST**

Berkshire Bank had a poor level of qualified investments within this assessment area. The Bank had no equity or debt investments in the Oneida AA. Qualified grants within the area totaled \$57,691, approximately 4.0 percent of total qualified donations. This performance reflects poor responsiveness to credit and community development needs. The Bank did not use innovative or complex initiatives.

## **SERVICE TEST**

Berkshire Bank has 16 (17.6 percent) of its 91 full-service branches in this area. Branches are reasonably accessible to essentially all portions of the assessment area. Table 63 illustrates the distribution of assessment area tracts, population, and the Bank's branches and ATMs by tract income level.

<b>Table 63</b> <b>Branch and ATM Distribution with Demographic Data – Oneida AA</b>							
Census Tract Income Level	Number of Tracts	Percent of Tracts	Percent of Population (%)	Branches/Main Office		ATMs	
				#	%	#	%
Low	8	8.6	6.7	0	0.0	0	0.0
Moderate	15	16.1	14.2	3	18.8	1	50.0
Middle	45	48.4	53.1	9	56.3	0	0.0
Upper	19	20.4	24.0	3	18.8	0	0.0
N/A	6	6.5	2.0	1	6.3	1	50.0
<b>Total</b>	<b>93</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

*Source: 2010 U.S. Census; FDIC and Bank records*

The Bank closed one branch within this assessment area during the review period, in a moderate-income census tract. Changes in branch location have generally not adversely affected the accessibility of delivery systems. The days and hours of operation of the Bank's branch offices are similar to those of other banks operating within this assessment area and do not vary in a way that inconveniences portions of the area.. Each of the full-service branch locations offer extended hours during the week and are open for business on Saturday.

The Bank provides an adequate level of community development services within the assessment area. As outlined in the Service Test section of the Combined AA, the Bank supports several organizations through employee involvement, educational initiatives, and other services that respond to community development needs in this assessment area.

## SYRACUSE NY METROPOLITAN STATISTICAL AREA

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN SYRACUSE NY METROPOLITAN STATISTICAL AREA

The Syracuse Assessment Area (Syracuse AA) comprised all 20 of the Onondaga County cities and towns, which include Camillus, Cicero, Clay, DeWitt, Elbridge, and Fabius. Geddes, Lafayette, Lysander, Manlius, Marcellus, Onondaga, Otisco, Pompey, Salina, Skaneateles, Spafford, Syracuse, Tully, and Van Buren and the Madison County communities of Cazenovia, Lenox, and Sullivan. All of these communities are within the Syracuse, NY MSA.

The Syracuse AA currently comprises of 147 census tracts. Of these, 25 (17.0 percent) are low-income, 26 (17.7 percent) are moderate-income, 47 (32.0 percent) are middle-income, 48 (32.7 percent) are upper-income, and one (0.7 percent) have no income designation.

The Bank operates two branches within the Syracuse AA which are located both located in East Syracuse. As of 2014, the two branches in the Syracuse AA comprise of 2.2 percent of the Bank's branches.

As of 2013, the Syracuse AA consisted of 140 census tracts, which represents 11.8 percent of the 2013 Combined AA. In 2014, the Bank added seven census tracts to include the census tracts in which the Bank primarily lends.

<b>Table 64</b>					
<b>Demographic Information for Syracuse Assessment Area (2013)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	140	17.9	18.6	30.0	32.9
Population by Geography	467,026	14.1	16.2	31.3	38.4
Owner-Occupied Housing by Geography	121,046	4.4	13.1	36.5	46.1
Businesses by Geography	34,629	16.9	12.9	34.9	35.4
Family Distribution by Income Level	113,910	24.5	16.0	17.1	42.4
Distribution of Low and Moderate Income Families throughout AA Geographies	41,968	21.1	23.6	32.0	23.3
FFIEC Adjusted Median Family Income Families Below Poverty Level		\$65,800 9.6%	Median Housing Value		\$137,776

*Source: 2010 U.S. Census data and 2013 FFIEC updated MFI data.*

Upper-income families represent the highest share of total families by a significant margin, followed by low- and middle-income families. Among low-income families within the Syracuse AA, 45.8 percent represent families living below the poverty level. The high poverty rate significantly reduces opportunities to make loans to low-income borrowers.

As of 2014, the Syracuse AA consists of 147 census tracts, which represents 10.7 percent of the 2014 Combined AA. In 2014, the Bank added five middle-income census tracts and two upper-income census tracts. Table 64 provides relevant demographic information for the Syracuse AA as of 2013.

Table 65 provides demographic information for the Syracuse AA as of 2014.

<b>Table 65</b>					
<b>Demographic Information for Syracuse Assessment Area (2014)</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	147	17.0	17.7	32.0	32.7
Population by Geography	498,573	13.2	15.2	34.2	37.4
Owner-Occupied Housing by Geography	130,458	4.1	12.1	39.4	44.4
Businesses by Geography	32,662	16.0	12.2	36.9	34.8
Family Distribution by Income Level	122,492	20.8	16.0	20.8	42.4
Distribution of Low and Moderate Income Families throughout AA Geographies	45,045	19.7	23.6	38.2	24.4
FFIEC Adjusted Median Family Income Families Below Poverty Level		\$63,453 9.4%	Median Housing Value		\$137,569

*Source: 2010 U.S. Census data and 2014 FFIEC updated MFI data.*

Median housing prices decreased by 0.2 percent from 2013 to 2014 while the MFI decreased by 3.6 percent during the same period. Therefore, it would be increasingly difficult for low- and moderate-income families to afford a home mortgage in 2014.

As of 2013, the median age of housing stock in the Syracuse AA is 50. Low- and moderate income median tracts have a housing stock age of 64 and 61 respectively. Therefore, there is increased need for home improvement loans within these census tracts.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SYRACUSE, NY METROPOLITAN STATISTICAL AREA**

### **LENDING TEST**

#### **Lending Activity**

The Bank's residential mortgage and small business lending activity reflects good responsiveness to the credit needs of the Syracuse AA during the evaluation period.

During the evaluation period, the Bank originated 4.4 percent of home mortgages within the Syracuse AA. Among the 204 lenders that originated home mortgage loans in 2013 within the Bank's Syracuse AA, Berkshire Bank ranked 26<sup>th</sup> with a market share of 1.1 percent. The top three lenders in the area in 2013 were Wells Fargo Bank (11.6 percent market share), Empower Federal Credit Union (11.3 percent) and AmeriCU Credit Union (6.0 percent).

The Bank also originated 5.5 percent of small business loans within the Syracuse AAs during the evaluation period. Among the 120 lenders that originated small business loans in 2013 within the Bank's MA AAs, Berkshire Bank ranked 26<sup>th</sup> with a market share of 0.4 percent. The top three lenders in the area in 2013 were American Express (15.5 percent), GE Capital Bank, (9.8 percent), and Capital One Bank (7.0 percent). The top lenders in the area offer small business credit card loans, a product that Berkshire Bank does not offer.

As noted previously in Table 5, 6.5 percent of home mortgage lending from the Combined AA in 2013 occurred in the Syracuse AA. This ratio exceeded the percentage of branches and was similar to the percentage of deposits in this area. The ratio of Bank lending in this area increased in YTD 2014.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout the Syracuse AA.

#### ***Home Mortgage Analysis:***

As shown in Table 66 the geographic The distribution of home mortgage loans reflects adequate dispersion throughout the area. Table 66 shows the distribution of home mortgage loans by tract income level.

Table 66 Distribution of Home Mortgage Loans by Census Tract Income Category							
Census Tract Income Level	2013				YTD 2014		
	Total Owner-Occupied Housing Units	Aggregate Lending Data	Bank Lending Data		Total Owner-Occupied Housing Units	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	4.4	2.4	0	0.0	4.1	3	2.7
Moderate	13.1	12.0	16	14.5	12.1	12	10.9
Middle	36.5	35.6	45	40.9	39.4	46	41.8
Upper	46.1	50.0	84	76.4	44.4	49	44.5
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>145</b>	<b>100.0</b>	<b>100.0</b>	<b>110</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014); HMDA Aggregate Data 2013.

The Bank made 0.0 percent and 2.7 percent of loans were to borrowers in low-income census tracts in 2013 and 2014 respectively. Only 2.4 percent of aggregate lending occurred in low-income tracts. Empower Federal Credit Union (23.6 percent market share) ranked 1<sup>st</sup> in these tracts. In total, only 314 loans were originated within low-income census tracts in 2013 among all financial institutions. In YTD 2014, the Bank's lending performance was slightly less than the percentage of owner-occupied units within low-income census tracts (4.1 percent). The Bank's performance is adequate considering the positive trend and low level of aggregate lending.

The Bank made 14.5 percent and 10.9 percent of loans to borrowers in moderate-income census tracts in 2013 and 2014, respectively. The Bank's 2013 performance was above the 13.1 percent of owner-occupied units and the 12.0 percent of aggregate lending data. The Bank's 1.0 percent market share ranked 26<sup>th</sup> among 91 lenders that originated loans to moderate-income borrowers in 2013. Wells Fargo Bank (13.9 percent market share) ranked 1<sup>st</sup> within the area. The Bank's lending percentage in moderate-income tracts decreased in YTD 2014, trailing the percentage of owner-occupied units within these tracts (12.1 percent).

#### ***Small Business Analysis:***

The geographic distribution of small business loans reflects adequate dispersion. Table 67 summarizes Bank lending by tract income category.



<b>Table 67</b> <b>Distribution of Small Business Loans by Income Category of Census Tract</b>							
Census Tract Income Level	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	16.9	15.0	4	17.4	16.0	3	9.7
Moderate	12.9	11.3	1	4.3	12.2	1	3.2
Middle	34.9	37.1	11	47.8	36.9	17	54.8
Upper	35.4	34.6	7	30.4	34.8	10	32.3
NA	0.0	2.0	0	0.0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>

Source: US Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

The Bank made 17.4 percent and 9.7 percent of loans to businesses in low-income census tracts in 2013 and 2014 respectively. The Bank's distribution of loans to small businesses in low-income census tracts in 2013 was slightly above the 2013 aggregate lending data (15.0 percent) and the percentage of businesses (16.9 percent) operating in these census tracts.

In YTD 2014, the Bank originated fewer loans in low-income census tracts than the percentage of businesses (16.0) operating in these census tracts.

Bank lending to businesses in moderate-income census tracts was limited. The Bank originated one small business loan in 2013 (4.3 percent) and one in YTD 2014 (3.2 percent) in these geographies. These ratios trailed the percentage of businesses in moderate-income census tracts for both years. Despite moderate-income lending lagging comparative factors, the good performance in low-income tracts reflects adequate distribution overall.

## Borrower Profile

The distribution of loans within the Syracuse AA reflects adequate dispersion among borrowers of different income levels and businesses of different sizes.

## Home Mortgage Analysis:

The distribution of loans reflects adequate penetration among borrowers of different income levels. Table 68 shows the distribution of home mortgage loans by borrower income level.

Table 68 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	2013				YTD 2014		
	Total Families	Aggregate Lending Data	Bank Lending Data		Total Families	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
<b>Low</b>	<b>21.0</b>	<b>7.5</b>	8	5.5	<b>20.8</b>	4	3.6
<b>Moderate</b>	<b>15.9</b>	<b>19.5</b>	26	17.9	<b>16.0</b>	19	17.3
<b>Middle</b>	<b>20.7</b>	<b>23.1</b>	41	28.3	<b>20.8</b>	28	25.5
<b>Upper</b>	<b>42.4</b>	<b>36.8</b>	66	45.5	<b>42.4</b>	56	50.9
<b>N/A</b>	<b>0.0</b>	<b>13.0</b>	4	2.8	<b>0.0</b>	3	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>145</b>	<b>100.0</b>	<b>100.0</b>	<b>110</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014); HMDA Aggregate Data (2013)

The Bank's lending to low-income borrowers in 2013 was less than aggregate lending data (7.5 percent) and the percentage of low-income families (21.0 percent) within the Syracuse AA. The Bank's 0.8 percent market share ranked 26<sup>th</sup> among the 77 lenders that originated loans to low-income borrowers in 2013. Empower Federal Credit Union (17.4 percent market share) ranked 1<sup>st</sup> within the area. In YTD 2014, the Bank's lending performance decreased and was substantially less than the percentage of low-income families (24.5 percent) in the Syracuse AA. The high poverty level explains in part the gap between the Bank's lending and the demographics.

The Bank originated 26 home mortgage loans to moderate-income borrowers in 2013 (17.9 percent) and 19 in 2014 (17.3 percent). The Bank's lending to moderate-income borrowers in 2013 was slightly less than aggregate lending (19.5 percent), but exceeded the percentage of moderate-income families within the Syracuse AA (15.9 percent). The Bank's 1.0 percent market share ranked 23<sup>rd</sup> among the 90 lenders that originated loans to moderate-income borrowers in 2013. Empower Federal Credit Union (13.6 percent market share) ranked 1<sup>st</sup> in loans to moderate-income borrowers within the area. In YTD 2014, the Bank's lending was again greater than the percentage of moderate-income families (16.0 percent) within the area.

### ***Small Business Analysis:***

The distribution of small business loans reflects adequate penetrating among businesses of different sizes. Table 69 shows Bank lending by borrower revenue category.

Table 69 Distribution of Small Business Loans by Gross Annual Revenues*							
Gross Annual Revenues	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	71.9	38.8	7	30.4	71.2	23	74.2
> \$1 Million/NA	28.1	61.2	16	69.6	28.8	8	25.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>

Source: US Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 69, the Bank's percentage of loans to businesses with revenues less than or equal to \$1 million in 2013 (30.4 percent) was less than aggregate lending data (38.8 percent). Additionally, the Bank's lending was significantly less than the percentage of businesses with gross annual revenues of \$1 million or less within the Syracuse AA in 2013 (71.9 percent). Bank lending to businesses with revenues of \$1 million or less increased substantially in YTD 2014, exceeding demographics.

### Community Development Lending

During the evaluation period, Berkshire Bank originated no community development loans within the assessment area, reflecting a low level of community development lending. The Bank provided loans to a corporation that originates qualifying economic development loans statewide. Approximately \$205,000 in loans throughout the assessment area resulted from the Bank's lending to this corporation.

### Innovative and Flexible Lending

The Bank makes limited use of innovative or flexible lending practices in order to meet credit needs in the rated area. With the exception of state-specific loan programs, the Bank offers the majority of its innovative and flexible products throughout this assessment area.

### INVESTMENT TEST

Berkshire Bank had an adequate level of qualified investments within this assessment area particularly those that are not routinely provided by private investors, occasionally in a leadership position. Qualified investments reflect adequate responsiveness to community development needs. The Bank obtained one new debt investment totaling \$1 million. Additionally, qualified grants within the area totaled \$36,915, approximately 2.5 percent of total donations. The Bank rarely used innovative or complex initiatives.

### SERVICE TEST

Berkshire Bank has two (2.2 percent) of its full-service branches in this area. Branches are accessible to limited portions of the assessment area. Table 70 illustrates the distribution of assessment area tracts, population, and the Bank's branches and ATMs by tract income level.

<b>Table 70</b> <b>Branch and ATM Distribution – Syracuse AA</b>							
Census Tract Income Level	Number of Tracts	Percent of Tracts	Percent of Population (%)	Branches/Main Office		ATMs	
				#	%	#	%
Low	25	17.0	13.2	0	0.0	2	12.5
Moderate	26	17.7	15.2	0	0.0	1	6.3
Middle	47	32.0	34.2	2	100.0	7	43.8
Upper	48	32.6	37.3	0	0.0	3	18.8
N/A	1	0.7	0.1	0	0.0	3	18.8
<b>Total</b>	<b>147</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

*Source: 2010 U.S. Census; FDIC and Bank records*

The Bank opened two branches within this assessment area during the review period, both in middle-income census tracts. Changes in branch locations did not adversely affect the accessibility of delivery systems. The days and hours of operation of the Bank's branch offices are similar to those of other banks operating within this assessment area and do not vary in a way that inconveniences portions of the area.. Each of the full-service branch locations offer extended hours during the week and are open for business on Saturday.

The Bank provides a limited level of community development services within the assessment area. A Vice President of Commercial Real Estate is the Vice Chair of the Board of Directors for a disaster relief and emergency services organization.

## **GLENS FALLS NY METROPOLITAN STATISTICAL AREA**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN *GLENS FALLS, NY METROPOLITAN STATISTICAL AREA***

The Glens Falls Assessment Area (Glens Falls AA) includes the Warren County communities of Glens Falls, Lake George, and Queensbury and the Washington County communities of Dresden, Fort Ann, Hampton, Kingsbury, Putnam, and Whitehall. All these communities are within the Glens Falls, NY MSA. The evaluation for the Glens Fall AA used limited-scope procedures due to the limited portion of Bank branches, deposits, and lending in this area.

The Glens Falls AA currently comprises 18 census tracts. Of these, zero (0.0 percent) are low-income, two (11.1 percent) are moderate-income, 12 (66.7 percent) are middle-income, and four (22.2 percent) are upper-income.

The Bank operates three branches within the Glens Falls AA that are located in Glens Falls, Queensbury, and Whitehall. The three branches in the Glens Falls AA represent 3.3 percent of the Bank's branches.

As of 2013, the Bank's Glens Falls AA consisted of 17 census tracts, which represented 1.4 percent of the 2013 Combined AA. In 2014, the Bank removed 11 and added 12 census tracts to the Glens Falls AA to include only the census tracts in which the Bank primarily lends. As of

2014, the Glens Falls AA consists of 18 census tracts, which represents 1.3 percent of the 2014 Combined AA.

As of 2013, upper-income families represent the highest share of total families by a significant margin, followed by low-income families. Among low-income families within the Glens Falls AA, 34.2 percent live below the poverty level. Additionally, the Glens Falls AA unemployment rate of 8.1 percent is higher than the state's rate of 6.3 percent.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *GLENS FALLS, NY METROPOLITAN STATISTICAL AREA***

### **LENDING TEST**

The institution's lending performance in the area is consistent with the institution's lending performance for the state.

#### **Lending Activity**

The Bank's residential mortgage and small business lending activity reflects adequate responsiveness to the credit needs of the Glens Falls AA during the evaluation period.

During the evaluation period, the Bank originated 0.3 percent of home mortgages within the Glens Falls AA. Among the 110 lenders that originated home mortgage loans in 2013 within the Bank's Glens Falls AA, Berkshire Bank ranked 35<sup>th</sup> with a market share of 0.5 percent.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout the Glens Falls AA. This sections evaluated the Bank's lending performance in the area's two moderate-income census tracts in YTD 2014. The Bank originated 1 of 11 home mortgage loans and 1 of 10 small business loans in a moderate-income census tract, which was similar to the percentage of moderate-income tracts.

#### **Borrower Profile**

The distribution of loans within the Glens Falls AA reflects adequate dispersion among borrowers of different incomes and businesses of different sizes.

The Bank originated one home mortgage loan to a low-income borrowers in 2013 (14.3 percent) and zero in YTD 2014. The Bank's lending to low-income borrowers was greater than aggregate lending data in 2013 (10.4 percent).

The Bank originated two home mortgage loans to moderate-income borrowers in 2013 (28.6 percent) and two in YTD 2014 (18.2 percent). The Bank's lending to moderate-income borrowers was greater than aggregate lending data in 2013 (24.2 percent).

The Bank's percentage of small business loans to businesses with revenues less than or equal to \$1 million in 2013 (33.3 percent) was less than aggregate lending data (41.8 percent).The Bank's

percentage increased in YTD 2014 (40.0 percent) but remained less than the percentage of businesses with revenues of \$1 million or less in 2014 (72.2 percent).

### **Community Development Lending**

The Bank did not originate any community development loans in this area.

### **Innovative and Flexible Lending**

With the exception of state-specific loan programs, the Bank offers its innovative and flexible products throughout this assessment area.

### **INVESTMENT TEST**

The Bank's investment performance in the area is below the Bank's investment performance for the state; however, it does not change the rating for the state.

### **SERVICE TEST**

The Bank's service performance in the area is below the Bank's service performance for the state; however, it does not change the rating for the state.

## **NEW YORK NONMETROPOLITAN STATEWIDE AREA**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NEW YORK NONMETROPOLITAN STATEWIDE AREA**

The New York nonmetropolitan statewide area consists of two separate assessment areas.

#### **Non-MSA New York #1 Assessment Area**

The Non-MSA New York #1 Assessment Area (NY1 AA) includes the Greene County communities of Athens, Cairo, Catskill, Coxsackie, Durham, Greenville, and New Baltimore and the Columbia County communities of Austerlitz, Canaan, Chatham, Claverack, Ghent, Hillsdale, Livingston, New Lebanon, Stockport, and Stuyvesant. NY1 AA a non-MSA area in Western New York that is adjacent to the eastern border of the Albany-Schenectady-Troy, NY MSA. The evaluation for the NY1 AA used limited-scope procedures due to the limited portion of Bank branches, deposits, and lending in this area.

The NY1 AA comprises of 28 census tracts, which represents 2.0 percent of the 2014 Combined AA.. Of these, 0 are low-income, 2 (7.1 percent) are moderate-income, 13 (46.4 percent) are middle-income, 12 (42.9 percent) are upper-income, and 1 (3.6 percent) has no income designation.

The Bank operates five branches within the NY1 AA that are located in Cairo, Chatham, Greenville, Hudson, and New Lebanon. As of 2014, the five branches in the NY1 AA represent 5.5 percent of the Bank's branches.

The Bank added this assessment area in 2014 with the purchase of five Bank of America branches in Greene County. Therefore, the Bank's performance in this assessment area was only reviewed for 2014.

Upper-income families represent the highest share of total families by a significant margin, followed by middle-income families. Among low-income families within the NY1 AA, 45.0 percent represent families living below the poverty level.

### **Non-MSA New York #2 Assessment Area**

The Non-MSA New York #2 Assessment Area (NY2 AA) is comprised of the Fulton County communities of Gloversville, Johnstown, Perth, and one census tract in Mayfield (9703.00) and the Montgomery County communities of Amsterdam, Chareleston, and Florida. NY2 AA is a non-MSA area in Central New York that is adjacent to the Albany-Schenectady-Troy, NY MSA.

The evaluation for the NY2 AA used limited-scope procedures due to the limited portion of Bank branches, deposits, and lending in this area.

The NY2 AA comprises 20 census tracts, which represents 1.5 percent of the 2014 Combined AA. Of these, two (10.0 percent) are low-income, six (30.0 percent) are moderate-income, 10 (50.0 percent) are middle-income, and two (10.0 percent) are upper-income.

The Bank operates two branches within the NY2 AA, which are located in Amsterdam and Johnstown and represent 2.2 percent of the Bank's branches. The Bank added this assessment area in 2014 with the purchase of two Bank of America branches in Montgomery and Fulton County. Therefore, the Bank's performance in this assessment area was only reviewed for 2014.

Upper-income families represent the highest share of total families by a significant margin, followed by low-income families. Among low-income families within the NY2 AA, 57.1 percent represent families living below the poverty level. Since these borrowers may have difficulty obtaining and maintaining a home purchase loan, this significantly reduces opportunities to make loans to low-income borrowers.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *New York Nonmetropolitan Statewide Area***

### **LENDING TEST**

The Bank's lending performance in the area was below the Bank's lending performance for the state; however, it does not change the rating for the state.

### **Lending Activity**

#### **NY1 AA**

The Bank's residential mortgage and small business lending activity reflected adequate responsiveness to the credit needs of the NY1 AA during the evaluation period. Of Combined AA lending during YTD 2014, the Bank originated 1.3 percent of home mortgages and 5.4 percent of small business loans within the NY1 AA.

## NY2 AA

The Bank's residential mortgage and small business lending activity reflected adequate responsiveness to the credit needs of the NY2 AA during the evaluation period.

Of Combined AA lending during YTD 2014, the Bank originated 0.5 percent of home mortgages and 1.7 percent of small business loans within the NY2 AA.

## **Geographic Distribution**

### NY1 AA

The geographic distribution of loans reflects adequate dispersion throughout the NY1 AA.

The NY1 AA includes no low-income census tracts and two moderate-income census tracts. Of the 11 home mortgage loans originated by the Bank in 2014, 18.2 percent were to moderate-income census tracts, which exceeded the 8.5 percent of owner-occupied units in these tracts.

Within the NY1 AA, 8.0 percent of businesses operate within moderate-income areas. The Bank's three small business loans to moderate-income census tracts represent 11.5 percent of total small business lending within the NY1 AA in 2014.

### NY2 AA

The geographic distribution of loans reflects adequate dispersion throughout 2 AA. The NY2 AA includes two low-income census tracts and six moderate-income census tracts. In 2014, the Bank originated four home mortgage loans, one of which was in a moderate-income census tract (25.0 percent). The Bank's lending is greater than the 17.2 percent of owner-occupied units within moderate-income census tracts.

Of the four small business loans originated within the NY2 AA, one (25.0 percent) was to a business that operates within a moderate-income census tract.

## **Borrower Profile**

### NY1 AA

The distribution of loans within the NY1 AA reflects an adequate penetration among borrowers of different income levels and businesses of different sizes. Of the 11 home mortgage loans in the NY1 AA, two (18.2 percent) were to moderate-income borrowers. This exceeded the 16.6 percent of moderate-income families within the NY1 AA. The Bank did not originate any loans to low-income borrowers in 2014; 16.3 percent of families within the NY1 AA are low-income.

The Bank originated 26 small business loans in 2014. Of those 26 loans, 10 (38.5 percent), were to businesses with gross annual revenue less than or equal to \$1 million



## NY2 AA

The distribution of loans within the NY2 AA reflects adequate penetration among borrowers of different income levels and businesses of different sizes.

The Bank originated four home mortgage loans within the NY2 AA in YTD 2014, three of which were to moderate-income borrowers. The Bank did not originate any loans to low-income borrowers in this area. Low- and moderate-income families within the area represent 23.9 percent and 19.4 percent of total families, respectively.

The Bank originated five of eight small business loans in YTD 2014 to businesses with revenues of less than or equal to \$1 million.

### **Community Development Lending**

The Bank's did not make any community development loans in the New York nonmetropolitan statewide area.

### **Innovative and Flexible Lending**

With the exception of state-specific loan programs, the Bank offers its innovative and flexible products in the New York nonmetropolitan statewide area.

## **INVESTMENT TEST**

The Bank's investment performance in the area is below the Bank's investment performance for the state; however, it does not change the rating for the state.

## **SERVICE TEST**

The Bank's service performance in the area is below the Bank's service performance for the state; however, it does not change the rating for the state.

## **STATE OF VERMONT**

<b><i>CRA RATING FOR VERMONT:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Lending Test is rated:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Investment Test is rated:</i></b>	<b><u><i>Needs to Improve</i></u></b>
<b><i>The Service Test is rated:</i></b>	<b><u><i>Satisfactory</i></u></b>

Berkshire Bank has 6 branches or 6.6 percent of their overall branch presence within the state. Performance in Vermont had a minimal effect on overall ratings and conclusions given the relatively low number of branches and deposits in the state.

### **Lending Test**

Given the institution's performance context in the State of Vermont, lending levels reflect adequate responsiveness to the credit needs of the area. The geographic distribution of loans reflects adequate dispersion throughout the area. The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes. Berkshire Bank originated one community development loan for approximately \$500,000 in this area reflecting an adequate level of community development lending during the evaluation period. The Bank made use of innovative and flexible products in this area.

### **Investment Test**

Berkshire Bank has a poor level of qualified community development investments and grants, reflecting poor responsiveness to community development needs in the area. There were no qualified equity investments benefitting the assessment area within the State of Vermont. The Bank donated \$56,419 in qualified grants to local community organizations. The Bank rarely uses innovative or complex initiatives not routinely provided by private investors.

### **Service Test**

In addition to branch locations, the Bank offers alternative delivery systems that are reasonably accessible to all portions of the state area. The Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals or geographies. The Bank's business hours are consistent with those of other financial institutions in this area and do not vary in a way that inconveniences portions of the state area. The Bank provides an adequate level of community development services throughout the Vermont area.

## **SCOPE OF EXAMINATION**

A full-scope review was performed to evaluate and rate the Bank's CRA performance in Vermont in accordance with the requirements of IBBEA. The products and timeframes noted in the scope section for the Combined AA are applicable to this state-level analysis, with the exception that only loans, investments and services in the State of Vermont were considered. Please refer to Tables 5 and 6 for details concerning the distribution of loans and branches in the Vermont portion of the Combined AA.

To evaluate the Bank's Lending Test performance in Vermont, HMDA and CRA data for 2013 and YTD 2014 were reviewed. Additionally, community development lending, innovative and flexible lending products, and investment and service activities from September 25, 2012, through January 20, 2015 were reviewed. All demographic data referenced below is from the 2010 U.S. Census and 2013 and 2014 D&B data.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT

The Vermont Assessment Area (Vermont AA) comprises all 17 of the Bennington County cities and towns, which include Arlington, Bennington, Dorset, Glastenbury, Landgrove, Manchester, Peru, Pownal, Readsboro, Rupert, Sandgate, Searsgate, Shaftsbury, Stamford, Sunderland, Winhall, and Woodford; all 28 cities and towns of Rutland County, which include Benson, Brandon, Castleton, Chittenden, Clarendon, Danby, Fair Haven, Hubbardton, Ira, Killington, Mendon, Middletown Springs, Mount Holly, Mount Tabor, Pawlet, Pittsfield, Pittsford, Poultney, Proctor, Rutland Town, Rutland City, Shrewsbury, Sudbury, Tinmouth, Wallingford, Wells, West Haven, and West Rutland; and all 24 cities and town of Windsor County, which include Andover, Baltimore, Barnard, Bethel, Bridgewater, Cavendish, Chester, Hartford, Hartland, Ludlow, Norwich, Plymouth, Pomfret, Reading, Rochester, Royalton, Sharon, Springfield, Stockbridge, Wethersfield, West Windsor, Weston, Windsor, and Woodstock. The Vermont AA is a non-MSA area in Southwestern Vermont.

The Vermont AA is composed of 50 census tracts. Of these, 1 (2.0 percent) is low-income, 5 (10.0 percent) are moderate-income, 37 (74.0 percent) are middle-income, and 7 (14.0 percent) are upper-income. Table 71 provides relevant demographic information.

<b>Table 71</b>					
<b>Demographic Information for Vermont Assessment Area</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	50	2.0	10.0	74.0	14.0
Population by Geography	155,437	0.2	9.7	76.6	13.5
Owner-Occupied Housing by Geography	47,680	0.1	6.9	77.8	15.1
Businesses by Geography (2013)	17,492	0.4	10.1	71.3	18.3
Businesses by Geography (2014)	14,411	0.4	10.9	70.8	17.8
Family Distribution by Income Level	42,824	19.0	18.6	21.7	40.3
Distribution of Low and Moderate Income Families throughout AA Geographies	16,262	0.3	13.9	77.2	8.7
FFIEC Adjusted Median Family Income Families Below Poverty Level		\$64,100 11%	Median Housing Value Unemployment Rate:		\$217,631 4.6%

*Source: 2010 U.S. Census data and 2013 FFIEC updated MFI data.*

As shown in Table 71, there are 47,680 owner-occupied units within the Bank's Vermont AA. Of those owner-occupied units, only 7.0 percent are within low- and moderate-income census tracts. This significantly reduces the Bank's opportunity to originate home mortgage loans in low- and moderate-income census tracts. In addition, a low percentage of businesses are also located within the low and moderate income census tracts.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT**

### **LENDING TEST**

#### **Lending Activity**

The Bank's residential mortgage and small business lending activity reflects adequate responsiveness to the credit needs of the Vermont AA during the evaluation period.

During the evaluation period, the Bank originated 2.2 percent of home mortgage loans within the State of Vermont. Among the 166 lenders that originated home mortgage loans in 2013 within the Bank's Vermont AA, Berkshire Bank ranked 16<sup>th</sup> with a market share of 2.3 percent. The top three lenders in the area in 2013 were Wells Fargo Bank, NA (9.2 percent), Peoples United Bank (7.4 percent), and Quicken Loans (6.4 percent).

Berkshire Bank was more active in small business lending in Vermont. The Bank originated 15.0 percent of small business loans within the Vermont AA during the evaluation period. Among the 41 lenders that originated small business loans in 2013 within the Bank's Vermont AA, Berkshire Bank ranked fourth in loan volume with a market share of 9.0 percent. The three lenders above the Bank in the area in 2013 were American Express, FSB (14.6 percent); Capital One Bank, N.A. (10.9 percent); and Citibank, N.A. (10.6 percent). Berkshire Bank ranked first in dollar volume within the Vermont AA with a 20.4 percent market share.

As noted previously in Table 5, 4.1 percent of home mortgage lending from the Combined AA in 2013 occurred in the Vermont AA. This ratio was slightly below the percentage of branches and deposits in this area. The ratio of Combined AA home mortgage loans in the Vermont AA increased slightly to 4.6 percent in YTD 2014.

At 18.7 percent, the ratio of small business loans in the Vermont AA was well above the distribution of branches and deposits in the area in 2013. The volume of small business lending in YTD 2014 is similar to volume in 2013.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout the Vermont AA. The Bank's lending in moderate-income geographies was the primary factor for this conclusion due to the very limited lending opportunities in the low-income tract.

#### ***Home Mortgage Analysis:***

The geographic distribution of the Bank's home mortgage loans reflects adequate dispersion throughout the assessment area. Table 72 shows the Bank's home mortgage lending by geography income level. Aggregate data for 2013 is also included for comparative purposes.

Table 72 Distribution of Home Mortgage Loans by Census Tract Income Category						
Census Tract Income Level	Total Owner- Occupied Housing Units	2013 Aggregate Lending Data	Bank Lending Data			
			2013		YTD 2014	
	%	(% of #)	#	%	#	%
Low	0.1	0.2	0	0.0	0	0.0
Moderate	6.9	5.6	5	5.4	3	7.9
Middle	77.9	74.9	68	73.9	27	71.1
Upper	15.1	19.3	19	20.7	8	21.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>

Source: US Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

As shown in Table 72, among the home mortgage loans originated within the Vermont AA, 5.4 percent and 7.9 percent of loans were to borrowers in moderate-income census tracts in 2013 and 2014 respectively.

In 2013, the Bank's performance is less than the 6.9 percent of owner-occupied units within moderate-income census tracts at 5.4 percent, but is consistent with the aggregate (5.6 percent). In 2014 however, the Bank's performance at 7.9 percent is higher than that the percentage of owner-occupied units within the moderate-income tracts (6.9 percent).

Berkshire Bank's 2.2 percent market share ranked 13<sup>th</sup> among the 49 lenders that originated loans within the moderate-income census tracts. Wells Fargo (13.7 percent market share) ranked first and Peoples United Bank ranked second with a market share of 9.3 percent.

The Bank did not originate any loans within the low-income census tracts. This is understandable as there is only one low-income tract within the Bank's Vermont AA, which contains only 0.1 percent of the AA's total owner-occupied housing units.

#### ***Small Business Analysis:***

The geographic distribution of the Bank's small business loans reflects adequate dispersion throughout the Vermont AA. Table 73 reflects the distribution of loans by tract income level.

Table 73 Distribution of Small Business Loans by Census Tract Income Category							
Census Tract Income Level	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
Low	0.4	0.3	0	0.0	0.4	0	0.0
Moderate	10.1	9.7	15	14.1	10.9	11	15.1
Middle	71.3	66.5	59	55.7	70.8	42	57.5
Upper	18.2	16.9	32	30.2	17.9	20	27.4
NA	0.0	6.6	0	0.0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>

Source: US Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 73, the Bank originated or purchased 14.1 percent of its small businesses loans within moderate-income census tracts in 2013. This exceeded both the aggregate lending at 9.7 percent and the percentage of total businesses within these tracts at 10.1 percent. The Bank's lending performance in YTD 2014 also exceeded the percentage of total businesses within these tracts.

### Borrower Profile

Overall, the distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and businesses of different sizes.

### Home Mortgage Analysis:

The distribution of the Bank's home mortgage loans reflects adequate penetration among retail customers of different income levels. Table 74 depicts the distribution of home mortgage loans by borrower income for 2013 and YTD 2014. Table 74 also includes relevant demographic and aggregate lending data.

Table 74 Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	Total Families	2013 Aggregate Lending Percentage (% of #)	Bank Lending			
			2013		YTD 2014	
	%		#	%	#	%
Low	19.4	5.5	5	5.4	5	13.2
Moderate	18.6	13.8	15	16.3	9	23.7
Middle	21.7	21.2	21	22.8	7	18.4
Upper	40.3	48.4	47	51.1	17	44.7
N/A	0.0	11.1	4	4.4	0	0.0
Total	100.0	100.0	92	100.0	38	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

In 2013, Berkshire Bank's lending to low-income borrowers (5.4 percent) was consistent with the aggregate (5.4 percent) but lower than the demographics. The Bank was ranked 13<sup>th</sup> out of 44 lenders in lending to low-income borrowers with a market share of 2.7 percent. In YTD 2014, the Bank increased the ratio of loans to low-income borrowers to 13.2 percent. It is understandable that Bank lending was below demographics as the portion of families with incomes below the poverty level limited opportunities to make home mortgage loans to low-income borrowers.

The Bank's lending to moderate-income borrowers (16.3 percent) exceeded the aggregate (13.8 percent) in 2013, but fell below the demographics (18.6 percent). Berkshire Bank was ranked 12<sup>th</sup> with a 2.5 market share to moderate-income borrowers out of 63 lenders. In 2014, the Bank's lending to moderate-income borrowers rose to 23.7 percent, which exceeded demographics.

#### ***Small Business Analysis:***

The distribution of the Bank's small business loans reflects adequate penetration among businesses of different sizes. Table 75 presents information concerning the distribution of the Bank's small business loans based on the gross annual revenues of the business.

Table 75							
Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	72.8	45.3	44	41.5	73.6	61	83.6
> \$1 Million/NA	27.2	54.7	62	58.5	26.4	12	16.4
Total	100.0	100.0	106	100.0	100.0	73	100.0

Source: US Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 75, Berkshire Bank's percentage of loans to businesses with gross annual revenues less than or equal to \$1.0 million in 2013 lagged both the aggregate lending data

and the demographics. In YTD 2014 however, the Bank's performance increased to 83.6 percent, which exceeded demographics.

### **Community Development Lending**

During the evaluation period, Berkshire Bank originated one community development loan for approximately \$500,000 in this area. This represents 1.1 percent by dollar amount of total community development loans. This performance is adequate.

### **Innovative or Flexible Lending**

The Bank makes use of innovative or flexible lending practices in order to meet credit needs in the area. With the exception of state-specific loan programs, the Bank offers the majority of its innovative and flexible products throughout the Vermont area, as outlined in the Combined AA section.

### **INVESTMENT TEST**

Berkshire Bank's performance in the Investment Test is rated Needs to Improve. The Bank has a poor level of qualified community development investments and grants, reflecting poor responsiveness to community development needs in the area. There were no qualified equity investments benefitting the assessment area within the State of Vermont. The Bank donated \$56,419 in qualified grants to local community organizations. The Bank rarely uses innovative or complex initiatives.

### **SERVICE TEST**

Berkshire Bank's performance in the Service Test for Vermont is rated Satisfactory. Branches are accessible to essentially all segments of the state area. Table 76 illustrates the distribution of census tracts, population, and the Bank's branches and ATMs by tract income level within this area.

<b>Table 76 Branch and ATM Distribution with Demographic Data – Vermont</b>							
<b>Census Tract Income Level</b>	<b>Number of Tracts</b>	<b>Percent of Tracts</b>	<b>Percent of Population (%)</b>	<b>Branches/Main Office</b>		<b>ATMs</b>	
				<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1	2.0	0.2	0	0.0	0	0.0
Moderate	5	10.0	9.7	1	16.7	0	0.0
Middle	37	74.0	76.6	2	33.3	3	100.0
Upper	7	14.0	13.5	3	50.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

*Source: U.S. Census (2010); Bank and FDIC records*

The Bank closed one branch in a middle-income census tract in Vermont during the review period. The Bank's opening and closing of branches has not adversely affected the accessibility of delivery systems within low- and moderate-income census tracts. The days and hours of operation of the Bank's branch offices are consistent with other banks operating within the area



and do not vary in a way that inconveniences portions of the area. Each of the full-service branch locations offer extended hours during the week and are open on Saturday.

The Bank provides an adequate level of community development services within the State. As outlined in the Combined AA Service Test section of this evaluation, the Bank supports several organizations through employee involvement and educational initiatives that respond to community development needs in the state.

## **STATE OF CONNECTICUT**

<b><i>CRA RATING FOR CONNECTICUT:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Lending Test is rated:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Investment Test is rated:</i></b>	<b><u><i>Needs to Improve</i></u></b>
<b><i>The Service Test is rated:</i></b>	<b><u><i>Satisfactory</i></u></b>

Berkshire Bank has 8 branches or 8.8 percent of its overall branch presence. Performance in Connecticut had a minimal effect on overall ratings and conclusions given the low number of branches and deposits in the state.

### **Lending Test**

Given the institution's performance context in the State of Connecticut, lending levels reflect adequate responsiveness to the credit needs of the area. The geographic distribution of loans reflects adequate dispersion throughout the area. The distribution of borrowers reflects poor penetration among borrowers of different income levels and businesses of different sizes. During the evaluation period, Berkshire Bank originated one community development loan for \$25,000 in this area, which reflects an adequate level of community development lending. The Bank makes use of innovative and flexible products in this area.

### **Investment Test**

Berkshire Bank has a poor level of qualified community development investments and grants, reflecting poor responsiveness to community development needs in the area. There were no qualified equity investments benefitting the assessment area within the state of Connecticut. The Bank donated \$121,875 in qualified grants to local community organizations. The Bank rarely uses innovative or complex initiatives.

### **Service Test**

In addition to branch locations, the Bank offers alternative delivery systems that are reasonably accessible to all portions of the State area. The Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals or geographies. The Bank's business hours are consistent with those of other financial institutions in this area and do not vary in a way that inconveniences portions of the state area. The Bank provides an adequate level of community development services throughout the Connecticut area.

## **SCOPE OF EXAMINATION**

A full-scope review was performed to evaluate and rate the Bank's CRA performance in Connecticut in accordance with the requirements of IBBEA. The products and timeframes noted in the scope section for the Combined AA are applicable to this state-level analysis, with the exception that only loans, investments and services in the State of Connecticut are considered. Please refer to Tables 5 and 6 for details on the distribution of loans and branches in the Connecticut portion of the Combined AA.

To evaluate the Bank's Lending Test performance in Connecticut, HMDA and CRA data for 2013 and YTD 2014 were reviewed. Additionally, community development lending, innovative

and flexible lending products, and investment and service activities from September 25, 2012, through January 20, 2015 were reviewed. All demographic data referenced below is from the 2010 U.S. Census and 2013 and 2014 D&B data.

## DESCRIPTION OF INSTITUTION’S OPERATIONS IN CONNECTICUT

The Connecticut Assessment Area (Connecticut AA) comprises the Hartford County communities of Avon, Bloomfield, East Windsor, East Hartford, Farmington, Glastonbury, Hartford, Manchester, New Britain, Newington, Rocky Hill, South Windsor, West Hartford, Wethersfield, Windsor, and Windsor Locks and the Tolland County communities of Bolton, Ellington, Tolland, and Vernon. All of these communities are within the Hartford-West Hartford-East Hartford, CT MSA.

The Connecticut AA comprises 175 census tracts. Of these, 43 (24.6 percent) are low-income, 31 (17.7 percent) are moderate-income, 56 (32.0 percent) are middle-income, 43 (24.6 percent) are upper-income, and 2 (1.1 percent) have no income designation.

<b>Table 77</b>					
<b>Demographic Information for Connecticut Assessment Area</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	175	24.6	17.7	32.0	24.6
Population by Geography	689,258	19.5	18.4	34.9	26.7
Owner-Occupied Housing by Geography	167,882	6.2	16.7	41.7	35.5
Businesses by Geography (2013)	65,397	14.6	14.4	36.2	34.3
Businesses by Geography (2014)	56,140	14.2	14.5	36.3	34.7
Family Distribution by Income Level	173,692	26.5	17.3	17.3	35.2
Distribution of Low- and Moderate- Income Families throughout AA Geographies	76,048	32.0	24.8	29.5	13.7
FFIEC Adjusted MFI (2013)		85,700	Median Housing Value:		\$242,903
Families Below Poverty Level		12.0%	Unemployment Rate:		7.0%

*Source: 2010 U.S. Census data and 2013 FFIEC updated MFI data.*

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CONNECTICUT

### **LENDING TEST**

#### **Lending Activity**

Lending levels reflect adequate responsiveness to assessment area credit needs. During the evaluation period, the Bank originated 1.0 percent of total home mortgage loans within the Connecticut AA. Among the 365 lenders that originated home mortgage loans in 2013 within the Bank’s Connecticut AA, Berkshire Bank ranked 86<sup>th</sup> with a market share of 0.2 percent. The Bank made fewer home mortgage loans in the Connecticut AA in YTD 2014, but the percentage of total loans increased.

The Bank originated 7.3 percent of total small business loans within the Connecticut AA during the evaluation period. Among the 79 lenders that originated small business loans in 2013, Berkshire

Bank ranked 18<sup>th</sup> with a market share of 0.9 percent. Most of the top lenders were large national and regional banks that make credit card loans.

As noted previously in Table 5, 1.6 percent of home mortgage lending from the Combined AA in 2013 occurred in the Connecticut AA. This ratio trails both the percentage of branches and deposits in this area due to the high lending volume from the loan production office in Massachusetts. The ratio of Combined AA home mortgage loans in the Connecticut AA increased to 2.2 percent in YTD 2014. The percentage of small business loans in the Connecticut AA was above the distribution of branches in this area in 2013. The ratio of small business loans in the Connecticut AA exceeded the share of Bank deposits in Connecticut in both 2013 and YTD 2014. The high level of competition for home mortgage loans in this area further supports the Bank's adequate performance.

## Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout this assessment area. The Bank's performance in making home mortgage and small business loans in low-income geographies was the primary factor for this conclusion.

### *Home Mortgage Analysis:*

The geographic distribution of the Bank's home mortgage loans reflects adequate dispersion throughout the assessment area. Table 78 illustrates the geographic distribution of home mortgage loans. Aggregate lending data for 2013 and demographic data are included for comparative purposes.

Table 78 Distribution of Home Mortgage Loans by Census Tract Income Category						
Census Tract Income Level	Total Owner- Occupied Housing Units	2013 Aggregate Lending Data	Bank Lending Data			
			2013		YTD 2014	
	%	(% of #)	#	%	#	%
Low	6.2	5.3	5	13.5	2	11.1
Moderate	16.7	12.8	4	10.8	2	11.1
Middle	41.6	41.9	7	18.9	4	22.2
Upper	35.5	40.0	21	56.8	10	55.6
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

The Bank's lending in low-income tracts (13.5 percent) exceeded both the aggregate data (5.3 percent) and demographics (6.2 percent) in 2013. The performance in 2014 declined to 11.1 percent, but remained above demographics. The Bank's distribution of home mortgage loans in moderate-income census tracts in 2013 (10.8 percent) is below that of the aggregate (12.8 percent) and demographics (16.7 percent). Lending in moderate-income tracts increased slightly to 11.1 percent in 2014.

Out of 132 lenders that originated at least one loan in low-income census tracts in 2013, Berkshire Bank was ranked 44<sup>th</sup> with a 0.4 market share. In moderate-income census tracts, Berkshire Bank was ranked 81<sup>st</sup> out of 202 lenders.

### ***Small Business Analysis:***

The geographic distribution of the Bank's small business loans reflects adequate dispersion throughout this area. Table 79 illustrates the geographic distribution of small business loans. Demographic data for 2013 and 2014 and aggregate lending data for 2013 are included for comparative purposes.

<b>Table 79</b>							
<b>Geographic Distribution of Small Business Loans by Income Category of Census Tract</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Businesses</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Businesses</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	<b>14.6</b>	<b>7.2</b>	8	13.8	<b>14.2</b>	6	20.7
Moderate	<b>14.4</b>	<b>12.1</b>	9	15.5	<b>14.5</b>	3	10.3
Middle	<b>36.2</b>	<b>43.9</b>	25	43.1	<b>36.3</b>	10	34.5
Upper	<b>34.4</b>	<b>34.8</b>	15	25.9	<b>34.7</b>	10	34.5
NA	<b>0.4</b>	<b>2.0</b>	1	1.7	<b>0.3</b>	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>

*Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)*

The Bank's small business lending in low-income census tracts (13.8 percent) exceeded the aggregate data (7.2 percent), but lagged the demographics (14.6 percent) in 2013. The Bank's lending in low-income census tracts increased in 2014 to 20.7 percent, well above the demographics. The Bank's distribution of small business loans in moderate-income census tracts in 2013 (15.5 percent) also exceeded the aggregate (12.1 percent) and the demographics (14.4 percent). Lending in moderate-income tracts in 2014 declined to 10.3 percent, below that of demographic data.

### **Borrower Profile**

Overall, the distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of the Bank's home mortgage loans reflects poor penetration among borrowers of different income levels. Table 80 depicts the distribution of home mortgage loans to low-, moderate-, middle-, and upper-income borrowers for 2013 and 2014. Table 80 also includes relevant demographic and aggregate lending data.

Table 80 Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	Total Families	2013 Aggregate Lending Percentage	Bank Lending			
			2013		YTD 2014	
	%	(% of #)	#	%	#	%
Low	26.5	8.5	1	2.7	0	0.0
Moderate	17.3	20.5	5	13.6	5	27.8
Middle	21.0	22.1	9	24.3	1	5.5
Upper	35.2	34.0	14	37.8	12	66.7
N/A	0.0	14.9	8	21.6	0	0.0
Total	100.0	100.0	37	100.0	18	100.0

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

The Bank's lending to low-income borrowers was below the aggregate and well below the demographics. The Bank only originated one loan to borrowers in this category in 2013 and 2014. Although the Bank's overall home mortgage lending level was low for both years, lending within this category was still less than expected.

The Bank's lending to moderate-income borrowers was also below the aggregate and demographics for 2013. Performance improved from 10.5 percent in 2013 to 27.8 percent in 2014, but that is mostly due to the drop in the Bank's overall home mortgage lending within the AA.

#### *Small Business Analysis:*

The distribution of the Bank's small business loans reflects adequate penetration among businesses of different sizes. Table 81 presents information concerning the distribution of the Bank's small business loans based on the gross annual revenue of the business.

Table 81							
Distribution of Small Business Loans by Gross Annual Revenues							
Gross Annual Revenues	2013				YTD 2014		
	Total Businesses	Aggregate Lending Data	Bank Lending Data		Total Businesses	Bank Lending Data	
	%	(% of #)	#	%	%	#	%
≤ \$1 Million	75.1	48.7	24	41.4	76.8	17	58.6
> \$1 Million/NA	24.9	51.3	34	58.6	23.2	12	41.4
Total	100.0	100.0	58	100.0	100.0	29	100.0

Source: U.S. Census (2010), CRA LR (2013 & 2014), CRA Aggregate Data (2013), and D&B data (2013 & 2014)

As shown in Table 81, the Bank's percentage of loans to businesses with gross annual revenues less than or equal to \$1.0 million in 2013 (41.4 percent) was below both aggregate lending data (48.7 percent) and the percentage of small businesses in that revenue category (75.1 percent). In 2014, the Bank's percentage of loans to these businesses increased. While the Bank generally did not compare well to the aggregate data, the aggregate data includes a substantial number of

business credit card loans, a product not offered by Berkshire Bank. Additionally, borrowers for which the Bank did not collect revenue information affected these percentages.

### **Community Development Lending**

During the evaluation period, Berkshire Bank originated one community development loan for \$25,000 in this area. This reflects an adequate level of community development lending.

### **Innovative or Flexible Lending**

The Bank makes use of innovative or flexible lending practices in order to meet credit needs in the state area. In addition to state-specific loan programs, the Bank offers the majority of its innovative and flexible products throughout the State, as outlined in this section of the Combined AA.

### **INVESTMENT TEST**

Berkshire Bank's Investment Test performance in the Connecticut area is rated Needs to Improve. There were no qualified equity investments benefitting the assessment area within the state of Connecticut. There was \$121,875 donated by the Bank as qualified grants to local community organizations.

### **SERVICE TEST**

Berkshire Bank's performance in the Service Test for Connecticut is rated Satisfactory. Branches are reasonably accessible to all segments of the state area. Table 82 illustrates the distribution of census tracts, population, and Bank branches and ATMs by tract income level within this area.

<b>Table 82</b> <b>Branch and ATM Distribution – Connecticut</b>							
Census Tract Income Level	Number of Tracts	Percent of Tracts	Percent of Population (%)	Branches/Main Office		ATMs	
				#	%	#	%
Low	43	24.6	19.5	1	12.5	1	25.0
Moderate	31	17.7	18.4	0	0.0	1	25.0
Middle	56	32.0	34.9	5	62.5	0	0.0
Upper	43	24.6	26.7	2	25.0	2	50.0
N/A	2	1.1	0.5	0	0.0	0	0.0
<b>Total</b>	<b>175</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: U.S. Census (2010); Bank and FDIC records*

The Bank's opening and closing of branches has not adversely affected the accessibility of delivery systems within low- and moderate-income census tracts. The days and hours of operation of the Bank's branch offices are consistent with other banks operating within the area and do not vary in a way that inconveniences portions of the assessment area. Each of the full-service branch locations offer extended hours during the week and are open for business on Saturday.

The Bank provides an adequate level of community development services within the State. As outlined in the Service Test section of the Combined AA, the Bank supports several organizations through employee involvement and educational initiatives that respond to community development needs.



## **STATE OF TENNESSEE**

<b><i>CRA RATING FOR TENNESSEE:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Lending Test is rated:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Investment Test is rated:</i></b>	<b><u><i>Satisfactory</i></u></b>
<b><i>The Service Test is rated:</i></b>	<b><u><i>Needs to Improve</i></u></b>

The Bank's CRA performance in the State of Tennessee is similar to its overall performance. The Bank's presence in Tennessee is due to the acquisition of Beacon Federal in New York that was completed in late 2012. Beacon Federal had two branches in Tennessee, one in Rutherford County and the other in Warren County. In June of 2013, Berkshire Bank sold the Rutherford County branch.

The lone current branch in Tennessee represents 1.1 percent of the Bank's overall branch presence. Performance in Tennessee had a minimal effect on overall ratings and conclusions given the low number of branches and deposits in the state. The Bank held only \$24.2 million in deposits in Tennessee, which represents 0.5 percent of total deposits. Additionally, the Bank only recently expanded into this state in October 2012.

### **Lending Test**

Given the institution's performance context in the State of Tennessee, lending levels reflect adequate responsiveness to the credit needs of the area. The geographic distribution of loans reflects adequate dispersion throughout the area. The distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses of different sizes. The Bank did not originate any community development loans in the area, but this is adequate considering performance context. The Bank makes limited use of innovative and flexible products in this area.

### **Investment Test**

Berkshire Bank has an adequate level of qualified community development investments and grants with adequate responsiveness to community development needs.. The Bank inherited a new qualified equity investment for \$2 million benefitting the assessment area from the acquisition of Beacon Federal. The Bank also donated \$2,000 to a local community organization. The Bank rarely uses innovative or complex initiatives.

### **Service Test**

In addition to branch locations, the Bank offers alternative delivery systems that are reasonably accessible to all portions of the area. The Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals or geographies. The Bank's business hours are consistent with those of other financial institutions in this area and do not vary in a way that inconveniences portions of the state area. The Bank provides a low level of community development services throughout the Tennessee area.

## SCOPE OF EXAMINATION

A full-scope review was performed to evaluate and rate the Bank's CRA performance in Tennessee in accordance with the requirements of IBBEA. The products and timeframes noted earlier are applicable to this state-level analysis, with the exception that only loans, investments and services in the State of Tennessee are considered. Please refer to Tables 5 and 6 for details concerning the distribution of loans and branches in the Tennessee portion of the Combined AA.

To evaluate the Bank's Lending Test performance in Tennessee, HMDA and CRA data for 2013 and YTD 2014 were reviewed. Additionally, community development lending, innovative and flexible lending products, and investment and service activities from the date of acquisition in 2012, through January 20, 2015, were reviewed. All demographic data referenced below is from the 2010 U.S. Census and 2013 and 2014 D&B data.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE

The Warren County Assessment Area (Warren AA) comprised all four communities within Warren County, which include Centertown, McMinnville, Morrison, and Viola. The Warren AA is a non-MSA area located in Central Tennessee.

The Warren AA is comprised of nine census tracts. Of these, zero (0.0 percent) are low-income, one (11.11 percent) is moderate-income, seven (77.78 percent) are middle-income, and 1 (11.11 percent) is upper-income.

The Rutherford County Assessment Area was comprised of 49 census tracts. Of these, 2 (4.1 percent) were low-income, 7 (14.3 percent) were moderate-income, 29 (59.2 percent) were middle-income, 10 (20.4 percent) were upper-income, and 1 (2.0 percent) is NA income. This area was only included as part of the Bank's assessment area for the first 6 months of 2013. The Bank sold the only branch in this area in June 2013. Based on the Bank's removing this assessment area in June 2013, the evaluation based State ratings and conclusions on Bank performance in the Warren County AA only. This section does not reference Rutherford County performance.

Table 83 summarizes demographic data for the Warren AA. The evaluation primarily considered Bank performance in this assessment area when arriving at state ratings and conclusions.

Table 83 - Demographic Information for Warren County AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	9		11.1	77.8	11.1
Population by Geography	39,839		12.8	71.9	15.3
Owner-Occupied Housing by Geography	10,949		10.2	73.6	16.3
Businesses by Geography	2,562		22.4	63.0	14.6
Family Distribution by Income Level	10,337	22.6	18.3	19.2	39.9
Distribution of Low- and Moderate- Income Families throughout AA Geographies	4,220		15.9	74.9	9.3
FFIEC Adjusted MFI		47,100	Unemployment Rate: Median Housing Value		8.3%
Families Below Poverty Level		16.7%			92,472

Source: 2010 U.S. Census data and 2014 FFIEC updated MFI data.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TENNESSEE

### LENDING TEST

#### **Lending Activity**

Lending levels reflect adequate responsiveness to assessment area credit needs. During the evaluation period, the Bank originated 21 (0.3 percent) home mortgage loans within the Warren AA. Among the 75 lenders that originated home mortgage loans in 2013 within the Bank's Warren AA, Berkshire Bank ranked ninth with a market share of 2.8 percent. This rank and market share support that the Bank responded to credit needs in this area considering its performance context.

The Bank originated two (0.2 percent) small business loans within the Warren AA during the evaluation period.

As noted previously in Table 5, 0.7 percent of home mortgage lending from the Combined AA in 2013 occurred in the Warren AA. This ratio trails the percentage of branches but exceeds the percentage of deposits in this area. The ratio of Combined AA home mortgage loans in the Warren AA remained consistent in YTD 2014.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout this assessment area.

#### ***Home Mortgage Analysis:***

The geographic distribution of the Bank's home mortgage loans reflects adequate dispersion throughout the assessment area. Table 84 illustrates the geographic distribution of home mortgage loans. Aggregate lending data for 2013 and demographic data for 2013 and 2014 are included.

<b>Table 84</b>							
<b>Distribution of Home Mortgage Loans by Census Tract Income Category</b>							
<b>Census Tract Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Owner- Occupied Housing Units</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Owner- Occupied Housing Units</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	10.2	9.5	1	6.3	10.2	1	20.0
Middle	73.6	74.6	10	62.5	73.6	3	60.0
Upper	16.2	15.9	5	31.2	16.2	1	20.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR (2013 & 2014), and HMDA Aggregate Data (2013)

The Bank made one loan in the moderate-income tract in 2013 and one in YTD 2014. This is adequate considering the Bank's limited presence. Furthermore, there were only 55 total loans made in the moderate-income tract in 2013. The Warren AA does not contain any low-income tracts.

### ***Small Business Analysis:***

Given the minimal volume of small business loans and lack of low-income tracts in the assessment area, an analysis of small business loans would not provide meaningful conclusions.

### **Borrower Profile**

The distribution of loans reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and businesses of different sizes.

### ***Home Mortgage Analysis:***

The distribution of the Bank's home mortgage loans reflects adequate penetration among borrowers of different income levels.

<b>Table 85</b>							
<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>							
<b>Borrower Income Level</b>	<b>2013</b>				<b>YTD 2014</b>		
	<b>Total Families</b>	<b>Aggregate Lending Data</b>	<b>Bank Lending Data</b>		<b>Total Families</b>	<b>Bank Lending Data</b>	
	<b>%</b>	<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	22.6	10.7	3	18.8	22.6	0	0.0
Moderate	18.3	22.1	0	0.0	18.3	0	0.0
Middle	19.2	23.3	4	25.0	19.2	1	20.0
Upper	39.9	38.4	9	56.2	39.9	4	80.0
NA	0.0	5.5	0	0.0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>

*Source: US Census (2010), HMDA LAR (2013 & 2014), and Aggregate Data (2013)*

The Bank originated three loans to low-income borrowers within the Warren AA in 2013, exceeding aggregate data. The Bank did not make a loan to a moderate-income borrower during the evaluation period. The Bank's performance is adequate considering its lending to low-income borrowers and limited presence in this area.

### ***Small Business Analysis:***

Given the minimal volume of small business loans in the assessment area, an analysis of small business loans would not provide meaningful conclusions.

## Community Development Lending

During the evaluation period, Berkshire Bank originated no community development loans for this area. This performance is low, but expected considering the Bank's limited presence and recent entry into this area.

## Innovative or Flexible Lending

With the exception of state-specific loan programs, the Bank offers the majority of its innovative and flexible products in this area.

## INVESTMENT TEST

Berkshire Bank's Investment Test performance in the Tennessee area is rated Satisfactory. There was one new qualified equity investment for \$2 million in the Warren AA that supported community services for low- and moderate-income individuals. The Bank donated \$2,000 in qualified grants to a local community organization.

## SERVICE TEST

Berkshire Bank's performance in the Service Test for Tennessee is rated Needs to Improve. Branches are reasonably accessible to limited portions of the state area. Table 88 illustrates the distribution of census tracts, population, and the Bank's branches and ATMs by tract income level within this area.

<b>Table 88</b>							
<b>Branch and ATM Distribution with Demographic Data – Tennessee</b>							
<b>Census Tract Income Level</b>	<b>Number of Tracts</b>	<b>Percent of Tracts</b>	<b>Percent of Population (%)</b>	<b>Branches/Main Office</b>		<b>ATMs</b>	
				<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	0.0	0	0.0	0	0.0
Moderate	1	11.1	12.8	0	0.0	1	33.3
Middle	7	77.8	71.9	0	0.0	0	0.0
Upper	1	11.1	15.3	1	100.0	1	33.3
N/A	0	0.0	0.0	0	0.0	1	33.3
<b>Total</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

*Source: 2010 U.S. Census; FDIC and Bank records*

The Bank opened two branches during the evaluation period. Of the two, the Bank closed one branch in a middle-income census tract during the review period. The Bank's opening and closing of branches has not adversely impacted the availability within low- and moderate-income census tracts. The days and hours of operation of the Bank's branch offices are consistent with other banks operating within the rated area. Each of the full-service branch locations offer extended hours during the week and are open for business on Saturday.

The Bank provides a low level of community development services within the State. The Bank supports one organization through employee involvement, limited even in proportion to its extent of operations in the State.

## APPENDIX A

### MASSACHUSETTS DIVISION OF BANKS

#### MINORITY APPLICATION FLOW

The Division reviewed the Bank's HMDA LARs for 2013 and the first three quarters of 2014 to determine if the application flow from different minority groups within the Bank's Massachusetts assessment areas was reflective of the assessment areas' demographics. As mentioned in the performance context, the Bank's assessment areas in Massachusetts analyzed in 2013 and 2014 consist of all of Berkshire County, all of Middlesex County, as well as portions of Hampden and Hampshire Counties.

The Bank's residential lending in 2013 was compared to the 2013 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 89 for information on the Bank's minority application flow, as well as a comparison to aggregate lending data within the Bank's Massachusetts assessment areas.

<b>Table 89 - Minority Application Flow</b>					
<b>RACE</b>	<b>Bank 2013</b>		<b>2013 Aggregate Data</b>	<b>Bank 2014 Q1-Q3</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	1	0.1	0.2	3	0.4
Asian	106	4.9	7.1	37	5.4
Black/ African American	12	0.6	1.7	10	1.5
Hawaiian/Pacific Islander	3	0.1	0.1	2	0.3
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	44	2.0	1.5	11	1.6
<b>Total Minority</b>	<b>166</b>	<b>7.7</b>	<b>10.6</b>	<b>63</b>	<b>9.2</b>
White	1798	82.5	66.8	575	84.6
Race Not Available	216	9.8	22.6	42	6.2
<b>Total</b>	<b>2180</b>	<b>100.0</b>	<b>100.0</b>	<b>680</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	29	1.3	2.7	13	1.9
Not Hispanic or Latino	1911	87.7	73.7	614	90.3
Joint (Hisp/Lat /Not Hisp/Lat)	16	0.7	1.0	10	1.5
Ethnicity Not Available	224	10.3	22.5	43	6.3
<b>Total</b>	<b>2180</b>	<b>100.0</b>	<b>100.0</b>	<b>680</b>	<b>100.0</b>

*Source: U.S. Census 2010, HMDA LAR Data 2013 and 2014, HMDA Aggregate Data 2013*

According to the 2010 U.S. Census data, the Bank's Massachusetts assessment areas had a population of 2,138,385 individuals, of which 24.4 percent are minorities. The assessment areas' minority and ethnic population consists of 0.1 percent American Indian, 7.1 percent Asian/Pacific Islander, 5.0 percent Black, 9.5 percent Hispanic, and 2.7 percent other.

In 2013, the Bank received 2,180 HMDA reportable loan applications within its Massachusetts assessment areas. Of these applications, 7.7 percent were received from minority applicants. Of these 75.9 percent resulted in originations, a figure slightly higher than the 73.5 percent of minority applications resulting in originations from the aggregate. The Bank's application flow was below the aggregate's performance of 10.6 percent of applications received from minorities.

In 2013, the Bank received 29 applications representing 1.3 percent of applications from the Hispanic or Latino ethnic group, of which 21 or 72.4 percent were originated compared to the aggregate of 58.8 percent. The Bank's application flow from ethnic minority applicants was below the aggregate's performance of 2.7 percent of applications received from the Hispanic or Latino ethnic group. The Bank approved minority and Hispanic applicants at higher rates when compared to the aggregate lending percentage.

In 2014, the Bank slightly improved its performance to both minority (9.2 percent) and Hispanic (1.9 percent) applicants.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

## APPENDIX B

### SCOPE OF EXAMINATION TABLES

SCOPE OF EXAMINATION: Examiners utilized Large Bank CRA performance procedures.		
TIME PERIOD REVIEWED	Loan analysis: January 1, 2013 through September 30, 2014	
	Community development loans, innovative and flexible lending, investments, and services: September 25, 2012 through January 20, 2015	
FINANCIAL INSTITUTION	PRODUCTS REVIEWED	
Berkshire Bank, Pittsfield, Massachusetts	HMDA Loans Small Business Loans	
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
Beacon Comprehensive Services Corporation	Subsidiary	None
RSP Properties, Inc.	Subsidiary	None
CSB Service Corporation	Subsidiary	None
Legacy Insurance Service of the Berkshires, LLC	Subsidiary	None
Renaissance Investment Group, LLC	Subsidiary	None
North Street Securities Corporation	Subsidiary	None
Woodland Securities, Inc.	Subsidiary	None



LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
<b>Massachusetts</b>			
Berkshire AA	Full Scope	One	None
Middlesex AA	Full Scope	None	None
Pioneer Valley AA	Full Scope	None	None
Worcester AA	Special Mention	None	This AA is referred to during the performance evaluation; however, the area has not been included in the Bank's Combined AA for a significant period. Therefore, no performance evaluation for this area was performed.
<b>New York</b>			
Albany AA	Full Scope	None	None
Oneida AA	Full Scope	None	None
Syracuse AA	Full Scope	None	None
Glens Falls AA	Limited-Scope	None	None
NY1 Non MSA AA	Limited-Scope	None	None
NY2 Non MSA AA	Limited-Scope	None	None
<b>Vermont</b>			
Vermont AA	Full Scope	None	None
<b>Connecticut</b>			
Hartford AA	Full Scope	None	None
<b>Tennessee</b>			
Warren Non MSA AA	Full Scope	None	None
Rutherford AA	Special Mention	None	This AA is part of the overall Tennessee AA in 2013 and is part of the performance evaluation; however, the area has not been included in the Bank's Combined AA for a significant period as it was deleted from the AA in June of 2013. Therefore, no separate performance evaluation for this area was performed.

## APPENDIX C

### SUMMARY OF STATE RATINGS

<b>State Name</b>	<b>Lending Test Rating</b>	<b>Investment Test Rating</b>	<b>Service Test Rating</b>	<b>Overall State Rating</b>
Massachusetts	Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
New York	Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Vermont	Satisfactory	Needs to Improve	Satisfactory	Satisfactory
Connecticut	Satisfactory	Needs to Improve	Satisfactory	Satisfactory
Tennessee	Satisfactory	Satisfactory	Needs to Improve	Satisfactory

## APPENDIX D

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1.0 million or less; activities that revitalize or stabilize low- or moderate-income geographies; or activities that support, enable or facilitate projects or activities that meet "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA) and are conducted in designated target areas identified in plans approved by HUD in accordance with the Neighborhood Stabilization Program (NSP)

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion; Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include

nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1.0 million or less and typically are secured either by nonfarm or by nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 24 North Street, Pittsfield, MA 01201".

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.